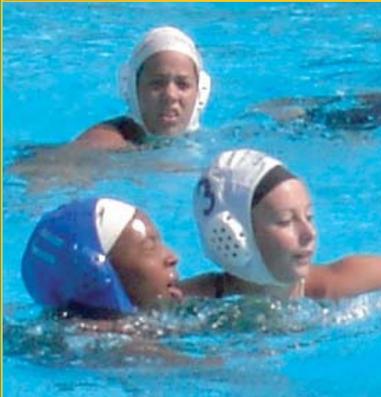




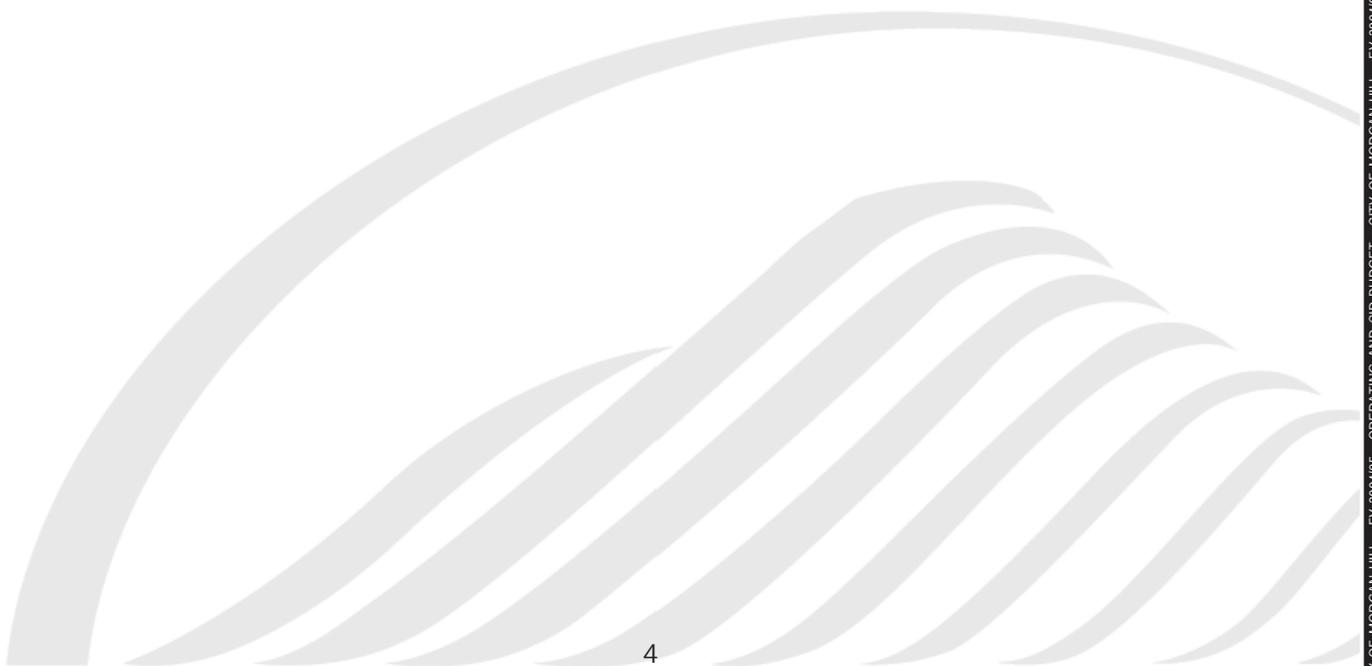
CITY OF MORGAN HILL
CALIFORNIA

Fiscal Year 2004/05 Operating and CIP Budget



M O R G A N H I L L A Q U A T I C S C E N T E R





GFOA Distinguished Budget Presentation Award



GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

PRESENTED TO

**City of Morgan Hill
California**

For the Fiscal Year Beginning

July 1, 2003


President


Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the City of Morgan Hill, California for its annual budget for the fiscal year beginning July 1, 2003. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

This award is valid for a period of one year only. We believe our budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

CSMFO Award for Excellence in Operational Budgeting

*California Society of
Municipal Finance Officers*

Certificate of Award

Excellence in Operational Budgeting 2002-2003

Presented to

City of Morgan Hill

This certificate recognizes the achievement of Excellence in Operational Budgeting and reflects an outstanding budget document and the underlying budgeting process through which the budget is implemented.

February 24, 2003



Joan Michaels
Chair, Budgeting & Financial Management

[Signature]
Vice-Chair, Budgeting & Financial Management

Dedicated to Excellence in Municipal Financial Management

Program Quick Find

[010-1100] City Council	105	[309-8053] Traffic Impact	331
[010-1220] Community Promotions	109	[311-8080] Police Impact	331
[010-1500] City Attorney	121	[313-8085] Fire Impact	331
[010-2100] City Manager	127	[317-7000] BAHS Administration	259
[010-2110] Recreation and Community Svcs	137	[317-8010] BAHS Economic Development	265
[010-2115] Community and Cultural Center	143	[317-8055] BAHS CIP	267
[010-2120] Aquatics Center	147	[317-8055] BAHS CIP	332
[010-2200] Human Resources	155	[327-7100] BAHS Housing	269
[010-2210] Volunteer Services	151	[346-8049] Public Facility (non-AB1600)	332
[010-2410] Council Svcs & Records Mgmt	113	[347-8056] Public Facilities Impact	332
[010-2420] Elections	117	[348-8059] Library Impact	333
[010-2510] Finance	161	[350-8057] Undergrounding	333
[010-3205] Police Administration	169	[640-5900] Sewer Operations	229
[010-3210] Police Field Operations	173	[641-8140] Sewer Impact	333
[010-3225] Police Support Services	177	[643-8170] Sewer Capital Projects	333
[010-3230] Police Emergency Services	179	[650-5710] Water Operations	233
[010-3245] Police Special Operations	183	[650-5720] Meter Reading and Repair	237
[010-3510] Fire Services	277	[650-5750] Utility Billing	165
[010-5140] Cable Services	131	[650-5760] Water Conservation	241
[010-5145] Communications and Marketing	133	[651-8110] Water Impact	334
[010-5440] Park Maintenance	213	[653-8120] Water Capital Projects	334
[010-5450] Animal Control Services	187	[730-2520] Information Systems	281
[010-8270] Police Dispatch Services	189	[740-2115] Building Maintenance (CCC)	205
[202-6100] Street Maintenance	217	[740-2120] Building Maintenance (Aquatics)	207
[202-6110] Congestion Management	193	[740-5150] Building Maintenance	209
[202-8050] Streets CIP	330	[745-8280] CIP Administration	243
[206-5120] Planning Division	195	[760-8230] Unemployment Insurance	283
[206-5130] Building Division	199	[770-8220] Workers' Compensation	285
[206-5410] Engineering	221	[790-8500] Equipment Replacement	287
[207-5170] General Plan Update	203	[795-8210] General Liability	289
[215-8000] CDBG Programs/Projects	249		
[215-8000] CDBG Programs/Projects	330		
[216-8001] CDBG Housing Rehab	251		
[229-8351] Lighting & Landscape District	225		
[232-5800] Solid Waste Management	227		
[234-8250] Mobile Home Rent Commission	253		
[235-8435] Senior Housing Trust Fund	255		
[236-7100] Housing Programs	257		
[240-2610] Employee Assistance Program	279		
[301-8051] Park Development	330		
[303-8052] Local Drainage	330		
[304-8060] Local Drainage (non-AB1600)	331		

Table of Contents

<u>Budget Message</u>	<u>11-23</u>	<u>Finance</u>	<u>159</u>
<u>General Information</u>	<u>25</u>	Finance	161
About the City	27	Utility Billing	165
Budget Overview	31	<u>Police</u>	<u>167</u>
Fiscal Policies	35	Administration	169
Description of Funds	39	Field Operations	173
Glossary	45	Support Services	177
Resolution Adopting the City Budget	49	Emergency Services	179
Appropriation Limit Calculation	51	Special Operations	183
Resolution Adopting the RDA Budget	53	Animal Control Services	187
<u>Budget Summary</u>	<u>55</u>	Dispatch Services	189
Combined Statement of Revenues, Expenditures and Changes in Fund Balance	57	<u>Community Development</u>	<u>191</u>
Fund Balance Projections	58	Congestion Management	193
General Fund Balance Chart	62	Planning Division	195
Revenue Charts	63	Building Division	199
Major Revenue Assumptions	64	General Plan Update	203
Summary of Revenues & Transfers In	66	Building Maintenance (CCC)	205
Expenditure Charts	71	Building Maintenance (Aquatics Center)	207
Summary of Expenditures & Transfers Out	73	Building Maintenance	209
Interfund Transfers	78	<u>Public Works</u>	<u>211</u>
Cost Allocation	80	Park Maintenance	213
Comparison of Municipalities	83	Street Maintenance	217
<u>Staffing</u>	<u>85</u>	Engineering	221
Citywide Organization Chart	87	Lighting and Landscape District	225
Staffing Summary by Departments	88	Solid Waste Management	227
Staffing Detail by Departments	89	Sewer Operations	229
Staffing Summary by Fund Type	92	Water Operations	233
Staffing Detail by Programs	93	Meter Reading and Repair	237
Changes in Personnel Costs	102	Water Conservation	241
<u>Council Services/City Clerk</u>	<u>103</u>	CIP Administration	243
City Council	105	<u>Business Assistance and Housing Services</u>	<u>247</u>
Community Promotions	109	CDBG Fund	249
Council Services & Records Management	113	CDBG Housing Rehab Fund	251
Elections	117	Mobile Home Rent Commission	253
<u>City Attorney</u>	<u>119</u>	Senior Housing Trust Fund	255
<u>City Manager's Office</u>	<u>125</u>	Housing Programs	257
City Manager	127	BAHS Administration	259
Cable Services	131	BAHS Economic Development	265
Communications and Marketing	133	BAHS Capital Programs	267
<u>Recreation</u>	<u>135</u>	BAHS Housing	269
Recreation	137	<u>ISF and Misc Programs</u>	<u>275</u>
Community & Cultural Center	143	Fire Services	277
Aquatics Center	147	Employee Assistance Program	279
Volunteer Services	151	Information Systems	281
<u>Human Resources</u>	<u>153</u>	Unemployment Insurance	283
		Workers' Comp	285
		Equipment Replacement	287
		General Liability	289

Table of Contents (continued)

<u>Supplemental Information</u>	<u>291</u>
Analysis of Recreation	293
Current and Future Grants	295
Discretionary Reserves	297
Final Allocation for Redevelopment Amendment Allocation	299
Financial System Upgrade	301
General Fund Cashflow Analysis	305
General Fund Ideas Not Incorporated in Budget ..	309
Inhibitors to Economic Development	311
Relationship with other Agencies	319
Revenue Sources	321
<u>Capital Improvement Program</u>	<u>329</u>



CITY MANAGER'S OFFICE

17555 PEAK AVENUE
MORGAN HILL, CA
95037-7128

TEL: 408-779-7271
FAX: 408-779-1592

WWW.MORGAN-HILL.CA.GOV

DATE: JUNE 16, 2004

TO: CITY COUNCIL

SUBJECT: FISCAL YEAR 2004/05

Dear Mayor and Members of the City Council:

I am pleased to submit the City Manager's Recommended Budget for Fiscal Year 2004/05. The budget is a plan to address community needs within fiscal constraints. Again this year, General Fund revenues are insufficient to sustain prior levels of spending. It will be necessary to use reserves in accordance with the City Council's previously adopted multi-year budget strategy. The Budget reflects the City Council's commitment to fiscal responsibility through long term financial planning, cost effective municipal services, and financial policies that recognize the need to fund future obligations.

The current budget document and Capital Improvement Program (CIP) provide a proactive, forward-looking program to address the dynamic needs of the City. However, the Budget also reflects \$900,000 in General Fund expenditure reductions in response to City Council direction in January and June 2004. In January, the City Council endorsed the City Manager's "Guide to Developing a Sustainable Budget Strategy." The guide proposed a series of steps, including expenditure reductions of \$800,000 and \$400,000 in 2004/05 and 2005/06, and revenue increases of \$800,000 and \$400,000 in 2005/06 and 2006/07, respectively. By taking these steps, it was projected in January that revenues would be brought into line with expenditures by June 30, 2008, so that deficit spending would disappear. In addition, the City Council adjusted the General Fund reserve requirement in January to allow fund balance to be drawn down over the next several years while steps are taken to balance revenues and expenditures. The new reserve requirement is still at a very safe level equal to 25% of estimated annual revenues.

It was necessary to eliminate funding for 10.75 positions in the General Fund for 2004/05 and to reduce certain less critical services to the public. Additional revenues were achieved in

various funds through adjustments to development impact, community development, and water fees. The Budget also proposes staffing, operational costs, and revenues needed to operate the new Aquatics Center for its first full year of operation. In the end, it was still necessary to use approximately \$1.7 million from General Fund reserves in 2004/05.

ECONOMIC AND DEMOGRAPHIC PROFILE

The City of Morgan Hill provides a high quality residential community for our many citizens balanced with a significant industrial and commercial base. Population increased by 2% as of January 1, 2004, to a level of 35,489. The economic success and distress of Silicon Valley has impacted local residents and businesses as well. The recession has resulted in the loss of 17% of the jobs throughout Santa Clara County and a reduction in sales and business visitors. Yet, approximately 5,600 persons were employed by the top 40 employers in Morgan Hill as of July 2003. This was 3% more than the prior year, as reported to the City on business license tax returns. The median price for a single family home in Morgan Hill rose from \$547,000 in calendar 2002 to \$568,000 in calendar 2003. The monthly median during 2004 has ranged from \$585,000 in January to \$660,000 in March. The monthly average of 41 sales during calendar 2002 increased to a monthly average of 44 sales for 2003.

The City provides a broad range of services, including police protection, development and housing, water and sanitation services, streets and parks construction, maintenance, planning, engineering, code enforcement, recreation, general city administration, and support services. The City has contracted with Santa Clara County to provide fire protection services and with South Valley Disposal and Recycling to provide solid waste collection services.

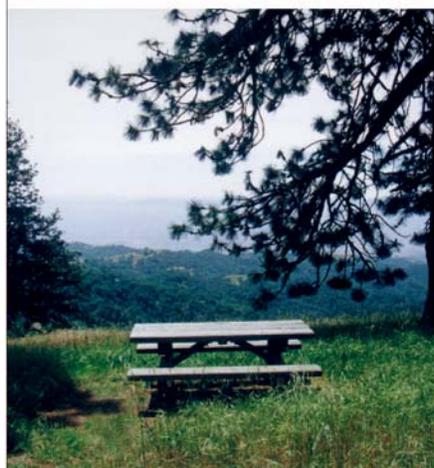
Budget Message (continued)

As the local economy slowed, the City's policy of establishing prudent reserves has proven to be critical. The State of California is currently struggling to confront a significant deficit. It is very likely the State will divert revenue that would normally go to local government. A \$600,000 drop in 2003/04 Motor Vehicle-in-Lieu fees was caused by the State's elimination of the "State backfill" for these fees for a three month period. In addition, the State shifted approximately \$1 million away from the Redevelopment Agency to the Educational Revenue Augmentation Fund. The Governor proposed in his 2004/05 budget submittal, released in January 2004, that property taxes for local governments be reduced, potentially costing the City's General Fund \$320,000 per year and the Redevelopment Agency \$1 million per year. This ongoing proposed General Fund reduction has been included in the schedule entitled "General Fund Balance Projections (Governor's Proposed Budget) – 2001/02 through 2007/08" provided in the special analyses section of the budget. However, the proposed 2004/05 Budget reflects an alternative \$357,000 drop in tax revenues associated with the current State proposal to shift \$733,466 in ongoing annual City Motor Vehicle-in-Lieu fee backfill revenue to City property tax revenue and then to reduce property taxes by \$357,000 in each of the next two fiscal years. As of this date, the State's fiscal crisis continues to make this process complicated and problematic. The ultimate effect of the State budget negotiations was not known at the time this budget went to print and has therefore not been included in the proposed budget for 2004/05. Once more information is known about the extent of State imposed reductions on Morgan Hill revenues, staff will bring additional recommendations for budget adjustments to the City Council.

As projected for 2003/04, sales tax revenue has declined by approximately 9% in 2003/04 to a level of approximately \$4.2 million, or 24% less than the peak of \$5.5 million received in 2000/01. However, primarily due to new businesses and modest economic growth, we are forecasting growth of approximately 9% to a new level of \$4.6 million for 2004/05. Transient occupancy tax revenue has increased by approximately 2% in 2003/04, as projected, to a level of \$900,000, or 34% less than the peak of \$1.4 million received in 2000/01. Growth of 5%, to a new level of \$945,000, is estimated for 2004/05.

BUDGET PROCESS

The Fiscal Year 2004/2005 Budget is based upon an in-depth analysis of actual and projected fund balances, revenues, and expenditures. Each General Fund department was given a target level of expenditure reductions by the City Manager so that the \$900,000 in expenditure reductions could be identified. Each City department prepared line item detail for each



Comprised of more than 79,000 acres, Henry W. Coe State Park is the second largest state park in California and a popular spot for camping, backpacking, fishing, hiking, mountain biking, and horseback riding.



Morgan Hill provides the opportunity for year-round recreational activities including cycling, golfing and hot air ballooning.



Morgan Hill is expanding its community amenities to include a community center, aquatics center, library and recreational facilities.

Budget Message (continued)

department's activities and recommended certain service levels and activity goals for the 2004/05 budget year. The Finance Department prepared revenue projections based upon input from other departments. The City Manager, working with Executive Management, then reviewed individual departmental requests, prioritized activities based upon City Council policy, and made certain adjustments. At the conclusion of this process, the proposed budget was prepared, and it is being submitted to the City Council for review.

BUDGET HEADLINES

- Prepare Walnut Grove Planned Unit Development
- Implement Downtown Plan
- Work with Santa Clara County to develop Morgan Hill Courthouse
- Begin construction of the 16 unit affordable housing Royal Court townhouse project
- Complete design and begin construction of Indoor Recreation Center
- Prepare Indoor Recreation Center Operational Plan
- Complete design of new Library
- Contribute \$950,000 to help develop a relocated and expanded regional Soccer Complex
- Design a large Sports Complex for organized outdoor sports
- Carry out operations in new Police Facility and Aquatics Complex
- Conduct Police Citizen Satisfaction Survey
- Complete Police Mobile Communications Terminal Upgrade
- Develop strategy for Sub-regional Fire Protection
- Prepare Ridgeline Mapping and Protection Plan
- Complete Urban Limit Line Study
- Redesign Building permit applications & develop automated system for calculating fees

- Implement comprehensive Financial Software System
- Complete recruitments for new Police Chief and Community Development Director
- Negotiate Labor Agreements with AFSCME and CSOA
- Evaluate alternative health care benefits for employee
- Complete construction of Boys Ranch Reservoir
- Conduct Alignment Study for Butterfield Boulevard to Watsonville Road
- Construct Tennant/101 Traffic Signal
- Construct Sewer Lift Station G
- Prepare Emergency Response Plan for Water Service
- Aggressively deliver 5 year Capital Improvement Plan (CIP) of \$136 million

HIGHLIGHTS - FISCAL ISSUES

The total budget for Fiscal Year 2004/05 (including capital projects, Redevelopment Agency appropriations, and transfers out) is \$83,762,784, or \$17,526,313 less than the 2003/04 original budget as a result of a decrease in capital projects for 2004/05. The budget includes a Capital Improvement Program (CIP) of \$22.5 million for new projects in 2004/05. Because of the economic challenges facing the City, the budget also includes the net reduction of 8.75 full-time equivalent positions, for all funds combined, as shown below. Budget cuts were in less critical activities. The effect on the General Fund is the elimination or transfer to other funds of 10.75 full-time equivalent positions.

City Attorney: One previously unfunded full-time equivalent position identified as Deputy City Attorney has been eliminated.

City Manager: A total of 1.50 previously funded full-time equivalent positions have been eliminated, including one Assistant to the City Manager and a half-time Municipal Services Assistant; and the duties associated with environmental programs have been

Budget Message (continued)

transferred to Public Works with the creation of a full-time Program Administrator and addition of a half-time Municipal Services Assistant within the Public Works Department.

Aquatics Program: A half-time custodian position has been added within the Building Maintenance Division to staff the new Aquatics Center.

Recreation: A net total of 0.25 previously funded full-time equivalent positions have been eliminated, comprised of a half-time Management Analyst transferred to the Community Development budget, a 0.25 time addition to the part-time Administrative Analyst position, the elimination of a Recreation Supervisor, the addition of a 0.75 time Recreation Coordinator, and the transfer of a 0.25 Accounting Assistant I from Finance.

Human Resources: A total of 1.50 previously funded full-time equivalent positions have been eliminated, including the Human Resources Supervisor and a half-time Human Resources Assistant.

City Clerk: A total of 1.50 full-time equivalent positions have been eliminated, including one previously unfunded Office Assistant I and a previously funded 0.50 Office Assistant II.

Finance: A total of 0.50 previously funded full-time equivalent positions have been eliminated, comprised of a 0.25 Accounting Assistant I transferred to Recreation and the elimination of a 0.25 Accounting Assistant II.

Police: A total of 2.50 previously funded full-time positions have been eliminated, including one Police Officer, a half-time Police Records Specialist, and one Police Cadet.

Public Works: A net total of 0.50 previously funded full-time equivalent positions have been eliminated, comprised of the elimination of two Groundskeepers offset by the addition of a Program Administrator and 0.50 Municipal Services Assistant associated with the transfer of environmental program duties from the City Manager budget.

Other steps taken to balance the proposed budget and prepare for the future in light of economic challenges facing the City:

- Eliminate recycling calendar, solid waste audits & studies, and combine City Visions with the Recreation Guide.
- Shift credit card merchant fees absorbed by the City for customer payments to applicable funds providing service.
- Reduce expenditures for employee events, training, travel, conferences, and advertising.
- Increase the annual transfer from the Park maintenance Fund to the General Fund from the historical amount of \$100,000 (but decreased from \$200,000 in 2003/04), to \$125,000.
- Use approximately \$1.7 million in General Fund reserves.
- Reduce the Community Promotions budget, including subsidies for community events, by 48%.
- Reduce Park Maintenance contract services and water usage.
- Eliminate subsidy for summer recreation program.
- Reduce front office hours at the Community and Cultural Center.
- Eliminate after school program at Village Avante.
- Eliminate various contract services and reduce special counsel services.
- Shift certain costs from the City to the Redevelopment Agency.
- Transfer \$50,000 from the General Fund to the Community Centers Fund for start-up costs of the Indoor Recreation Center currently being designed.
- Invest in a comprehensive new Financial Software System to solve current system problems and be more efficient and effective.
- Reduce police vehicle maintenance cost by extending vehicle useful lives.

Budget Message (continued)

HIGHLIGHTS - CHANGES IN BUDGET FORMAT

- Activity for Volunteer Services is now accounted for as part of Recreation activity.
- Activity for Building Maintenance associated with the Community and Cultural Center and with the Aquatics Center are now accounted for in Building Maintenance Fund #740, and expenditures for these activities are then allocated to the Community and Cultural Center and Aquatics Center operating budgets as line-item charges.

2. The City's costs, especially for employee benefits, are going to increase significantly over the next five years; and
3. The Governor and Legislature are considering a range of options to balance the State budget that might reduce city revenues or further increase City costs.

Because the City has prudently built up financial reserves over the previous decade, Morgan Hill is in a position to carefully manage a response to each of these three challenges without resorting to dramatic service level reductions or to immediately increasing taxes.

FUND SUMMARIES

GENERAL FUND

Five Year Financial Plan Overview

The City is faced with three budget challenges:

1. The local economy is not generating sufficient revenue to sustain current services on an ongoing basis;

However, unless there are long-term structural changes to bring the budget into balance, the current level of spending on basic city services is not sustainable. Over the past two years, General Fund reserves have been used to balance the budget. In the current year alone, it will be necessary to use \$930,000 in reserves even after aggressive efforts to reduce costs through a hiring freeze and delayed purchases.



Located at the southern edge of Silicon Valley, Morgan Hill offers businesses a campus-like atmosphere surrounded by hills, lakes and parks.



The roster of Silicon Valley companies that call Morgan Hill home is impressive and diverse.

That list includes: Abbott Labs, Anritsu, Ericsson, Specialized Bicycles, Fox Racing, Sakata Seed and Media Arts to name a few.

After nearly a decade of steadily building reserves, the following series of critical adverse factors have caused us to begin consuming reserves at an unsustainable rate: the lingering economic slowdown, State actions to cut local revenues, substantial cost increases (especially for employee retirement), and changes in the City's revenue base. Based on currently foreseeable trends over the next five years, if no action is taken, the General Fund reserves will not simply fall below reasonable target levels; they will be depleted.

Budget Message (continued)

revenues and expenditures in that year. The above assumes that \$320,000 in property taxes is taken from the General Fund in that year. The schedule above projects that the General Fund would have a reserve of 28% at June 30, 2008, which would exceed the 25% reserve target.

It is anticipated that concurrent with the presentation of the City Manager's Recommended Budget for FY 04, the Governor will be presenting his revised budget proposals to the Legislature. It may take weeks or months before the full effect is known. Depending on the outcome of State budget deliberations, it may be necessary to reopen the City's budget discussions after July 1 to address the impacts.

Current 2004/05 Budget Overview

Available fund balance as of June 30, 2004, is now projected to be \$9,821,672, including \$3,622,000 in required reserves. This includes

the effect of a \$930,000 projected operating deficit for 2003/04. The 2003/04 budget originally anticipated a \$370,000 operating deficit. This deficit was magnified by a loss of \$630,000 in motor vehicle in-lieu fees caused by State actions and by a \$410,000 drop in sales taxes; offset by higher property tax receipts and expenditure savings. The budget for 2004/05 estimates that total fund balance will further drop by another \$1.9 million to \$7,896,317 as of June 30, 2005, even with the inclusion of \$900,000 in expenditure reductions in the proposed budget.

Revenues in 2004/05 for the General Fund, including transfers in, are estimated to be \$16,839,953. This represents a 10% increase over the previous year's projected revenues, which is primarily related to a \$900,000 increase in the Aquatics revenue associated with the first full year of operations for the new Aquatics. By excluding this Aquatics revenue, revenues would instead increase by approximately 4%. Sales taxes are estimated to increase by 9%, resulting primarily from newly opened businesses, and transient occupancy taxes are estimated to increase by 5% in 2004/05. In general, the 2004/05 Budget estimates reflect very modest growth for most

General Fund revenues, as we expect that the economy will recover slowly beginning in the next fiscal year.

Appropriations for 2004/05, including transfers out, are \$18,765,308, which represents a 14% increase compared to the prior year original budget. However, if the \$900,000 increase in Aquatics costs associated with the first full year of operations were excluded, the change in budget would be only 8%. While most General Fund departments reduced their budgets for



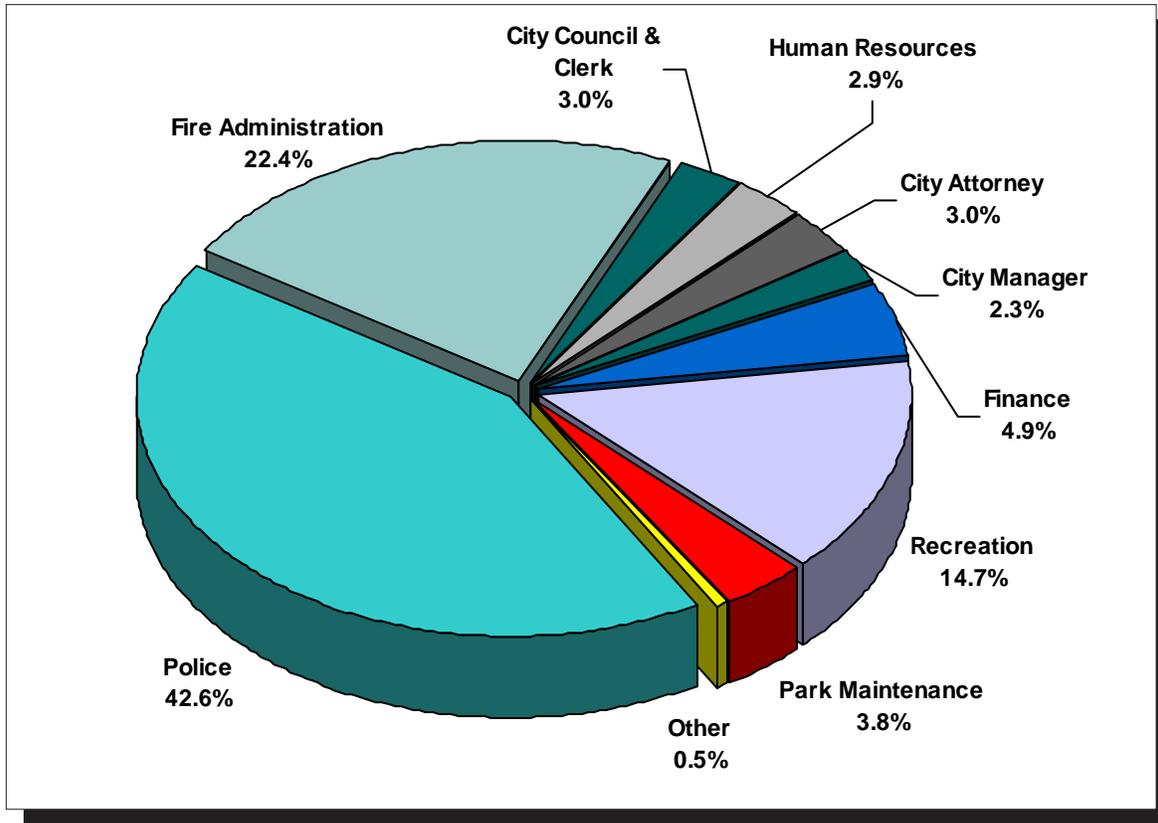
Highway 101 runs directly through Morgan Hill and easily connects business centers throughout the Bay Area

By 2015, jobs in Morgan Hill are projected to grow by nearly 120%, positioning the city as a strategic employment center in Silicon Valley.

Morgan Hill is just 30 minutes from San Jose International Airport, where new terminals, runways and roadways provide easy access and convenience to Silicon Valley travelers.

Budget Message (continued)

FY 2004/05 General Fund Expenditures by Department



total of these amounts accounts for 65% of General Fund appropriations, as shown in the pie chart below. In 2003/04, the original budget provided for a total Public Safety budget of \$10,485,727, which accounted for 64% of the total General Fund budget.

The remainder of the General Fund accounts for General Government operations (City Council, City Clerk, City Manager, Finance, Human Resources, and City Attorney), Park Maintenance and Recreation Services. A significant portion of the administrative cost is recovered in the form of charges to other City departments for services performed. Operating costs for the new Community & Cultural Center and Aquatics Center are reflected in the General Fund, creating opportunities and commitments. It is anticipated these new, ongoing financial commitments, high on the City Council's priorities, can be absorbed by the General Fund in the years to come. A schedule of future anticipated revenues and expenditures for

Recreation, including the Community and Cultural Center and Aquatics, is included in the special analysis section. For the Aquatics Center in 2004/05, the \$1,179,260 in proposed operating costs are to be financed with \$1,181,625 in program income.

The most significant sources of General Fund revenues for 2004/05 are:

- Sales Taxes of \$4,600,000, or 28% of total estimated revenues
- Property Taxes of \$2,960,896, or 18% of total estimated revenues
- Motor Vehicle State Subventions of \$1,423,800, or 9% of total estimated revenues
- Reimbursement for General Administration Overhead of \$1,793,851, or 11% of total estimated revenues
- Franchise Fees of \$965,000, or 6% of total estimated revenues

Budget Message (continued)

- Transient Occupancy Taxes of \$945,000, or 6% of total estimated revenues

The chart below shows how much of the 2004/05 General Fund budget is supported by discretionary general taxes and other revenues paid by residents and businesses. As shown below, all General Fund costs not recovered through departmental revenues (fees, grants, and reimbursements) are fully financed by discretionary revenues.

As shown, approximately 75%, or \$14,063,812, of the \$18,765,308 General Fund budget is financed by discretionary revenues. In the prior year, the discretionary revenue budget equaled \$12,193,347, or 74% of total General Fund budgeted costs. Public safety accounts for \$11,485,347, or 82%, of total discretionary revenues.

COMMUNITY DEVELOPMENT FUNDS

The Community Development Fund is a special revenue fund used to account for services supporting private development activity. The fund is dependent upon the collection of planning, building, and engineering development fees to finance these costs. This year appropriations are \$3,221,845, which

represents a 9% increase over the prior year original budget. Revenues in 2004/05 are estimated to be \$2,737,309, or 22% more than prior year budgeted revenues. Proposed revenues for 2004/05 reflect increases in community development fees that are effective July 6, 2004, but do not yet reflect full cost recovery, as calculated in a consultant study. Staff has preliminarily projected that additional planning and engineering fee increases are necessary on July 1, 2005, in order for costs to be fully recovered. It should be noted fund balance for the Community Development Fund is projected to drop to \$728,909 as of June 30, 2005.

The General Plan Update Fund continues to provide the resources for the General Plan Update. The General Plan Update effort is critical for the City as it provides the basic policy blueprint on growth, development, and services. The costs associated with this activity are partially financed through a 5% surcharge on all building and planning permit fees.

STREET MAINTENANCE FUND

The Street Maintenance Fund is a special revenue fund used exclusively for street maintenance and traffic safety activities.

<u>General Fund Discretionary Support</u>	TOTAL	LESS	LESS	NET	% OF
Department	COSTS	DEPT REVENUES	TRANSFER IN	COSTS	TOTAL
City Council/City Clerk	\$ 555,649	\$ 477,963	-	\$ 77,686	0.6%
City Attorney	566,191	324,687	-	241,504	1.7%
City Manager/Comm & Marketing	389,704	220,644	-	169,060	1.2%
Recreation & Com Cultural Center	1,629,337	796,658	-	832,679	5.9%
Aquatics Center	1,179,260	1,181,625	-	(2,365)	0%
Human Resources	485,417	292,398	-	193,019	1.4%
Finance	927,325	496,901	15,000	415,424	2.9%
Police	7,988,250	421,520	215,000	7,351,730	52.3%
Fire Administration	4,194,617	61,000	-	4,133,617	29.4%
Government Public Access	44,961	25,000	-	19,961	0.1%
Park Maintenance	705,572	-	125,000	580,572	4.1%
Transfers Out	99,025	-	48,100	50,925	0.4%
TOTALS	\$18,765,308	\$4,298,396	\$403,100	\$14,063,812	100.0%
FINANCED BY DISCRETIONARY REVENUES				\$14,063,812	

Budget Message (continued)

Included are maintenance and repair of all roadways, streets, curbs, gutters, medians, roadway shoulders, and alleys; cleaning and repair of catch basins and storm drains; traffic engineering, safety studies and modifications, and related geographic information systems; street lighting and signal operations; and painting, marking, and striping. State gas tax funds that finance these activities are distributed based on population.

Revenues, including transfers in, are budgeted as \$1,403,635, including \$674,000 of Gas Tax funds, \$100,000 in transfers from the Environmental Programs Fund, and \$600,000 in transfers from utility funds. Budgeted revenues, including transfers, reflect a 24% decrease from the prior year. While the General Fund transferred amounts into the Street Maintenance Fund in years prior to 2003/04, no funds are proposed to be transferred from the General Fund in 2004/05.

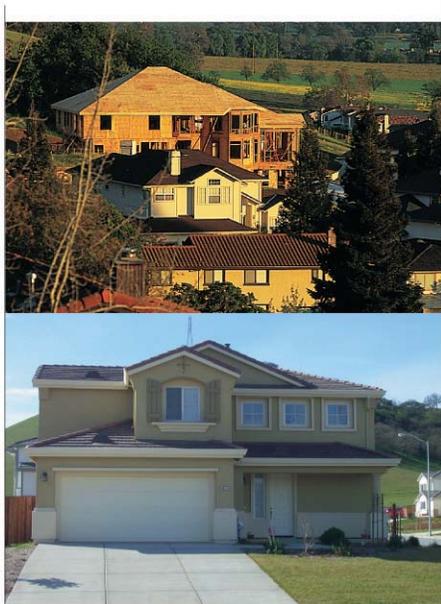
PARK MAINTENANCE FUND

When the City Council established this fund, the Council planned to use it as an “endowment” fund for park maintenance and to pay for repairs and upgrades to existing parks. The interest received on the principal balance is to be appropriated strictly for maintenance of the City’s parks. Revenues come from double park fees and from previous one-time general fund transfers of “excess” General Fund reserves.

The interest revenue from this park maintenance “endowment” fund normally generates approximately \$100,000 per year in additional park maintenance funds that is used to pay for personnel in the Park Maintenance operation. For 2004/05, the budget proposes that the annual \$100,000 transfer from this fund to the General Fund be increased to \$125,000 to assist in financing park maintenance costs paid from the General Fund. The fund balance is projected to be approximately \$3.1 million as of June 30, 2005. This fund over time may resolve park maintenance concerns of City policy makers and residents.

SEWER AND WATER FUNDS

These are enterprise funds, where all costs incurred are covered by the fees and charges paid by users of the systems. Presently, the City has approximately 12,000 accounts (including residential and business customers). The City water system meets or exceeds water quality standards. Budget



As a growing residential community, Morgan Hill offers affordable housing including apartments, condominiums and single family homes.



Morgan Hill employers are served by skilled job seekers from more than six community colleges and world-class universities such as San Jose State, Santa Clara and Stanford.



Serving a diverse community, Morgan Hill schools are recognized for their achievements in innovation, dynamic partnerships, exceptional programs and support services.

Budget Message (continued)

details for these funds are found under the Public Works section of the budget document and are described as Water Operations and Sewer Operations. The 2004/05 Water Operations budget of \$7,292,417 reflects a rate increase of 2% scheduled to occur on January 1, 2005, and also includes a 5% rate surcharge scheduled to occur on the same date. In addition, the 2004/05 budget includes \$6 million in bond proceeds necessary to pay for water capital projects.

The Sewer Operations Fund budget of \$6,230,819 is slightly less than the prior year original budget, while the Water Operations Fund budget of \$7,292,417 represents a 15% increase from the prior year, primarily as a result of perchlorate related costs. Sufficient fund balance, combined with estimated revenues, exists within each of these funds to fully finance these costs. A consultant study of the sewer and water rates was recently completed and, based upon that study, water rates increased by 2% in April 2003, increased again by an additional 2% in January 2004, and are scheduled to be increased by an additional 2% in each January of 2005, 2006, and 2007. In addition, as a result of the perchlorate process, water rates were surcharged 5% beginning April 1, 2004, and are scheduled to be surcharged by additional 5% amounts on January of 2005, 2006, and 2007. The rate surcharges will be for the specific purpose of paying for costs related to managing the perchlorate clean-up and monitoring process. However, the Finance Director is required to report to the City Council as to the necessity of each rate and increase and surcharge by September 30 of each year, prior to each scheduled January increase.

INTERNAL SERVICE FUNDS

Internal Service funds are essentially responsibility centers within the City that provide services to other departments. These other departments are then charged for the portion of services provided to them by the respective internal service responsibility center. These funds include Equipment

Replacement, Information Systems, Building Maintenance, CIP Administration, Workers Compensation, Liability, and Unemployment Insurance.

The Information Systems budget includes \$51,550 in 2003/04 and \$287,025 in 2004/05, for a total of \$338,575, to provide a new comprehensive Financial Software Systems package to address significant current systems problems and to provide tools for all departments to more efficiently perform their duties. In particular, a new project accounting module would greatly assist Public Works staff in managing costs associated with the large array of complex projects that the Public Works Department oversees. The cost would be distributed to the General, Redevelopment Agency, Sewer, Water, Information Systems, and CIP Administration funds, as described in the special analysis section of the budget.

CAPITAL PROJECTS FUNDS

Total new capital projects are budgeted at \$22.5 mil as reflected in the CIP attached as an appendix. The capital projects budget is comprised of:

- Parks and Recreation projects totaling \$3,396,000
- Public Facilities projects totaling \$8,238,000
- Sanitary Sewer projects totaling \$4,023,000
- Streets projects totaling \$2,232,000
- Storm Drainage projects totaling \$3,170,000
- Water projects totaling \$1,460,000

Capital projects are described in detail within the CIP. Current year projects are included in the budget document under the applicable responsibility centers. Projects for 2004/05 include:

- Parks Land Purchase (\$1.8 million for acquisition)
- Regional Soccer Complex (\$1.0 million for construction)

Budget Message (continued)

- Sewer Plant Improvement Project (\$2.5 million for construction)
- Butterfield Detention Basin (\$2.0 million for site acquisition)
- Community Indoor Recreation Center (\$4.6 million for construction)
- Library (\$3.5 million for professional services/site acquisition)
- Sewer Plant Improvement Project (\$1.8 million for construction)

Many of these projects are possible because of the referendum for the Plan Amendment to the 1981 Ojo de Agua Redevelopment Plan that was approved by the voters in November 1999. Of the total \$22.5 million in capital projects described in the CIP for 2004/05, \$8.7 million will be financed by the Redevelopment Agency.

APPROPRIATIONS LIMIT

The City's appropriations limit for this budget cycle has been prepared in accordance with the uniform guidelines. The appropriations limit imposed by Propositions 4 and 111 creates a restriction on the amount of "proceeds of taxes" which can be appropriated by the City in any fiscal year. The limit is based on actual appropriations during the 1978-79 fiscal year, as increased each year using growth of population and inflation indexes. The limit of \$54,717,489 for 2004/05 is significantly greater than the actual appropriations of \$12,102,086 subject to the limit for this year. Therefore, it appears that the City will not exceed its appropriations limit in the foreseeable future.

SUMMARY

While the City has large reserves and resources on hand, the City must be cautious because of the significant drop in revenues, future costs to operate new facilities, rapidly increasing retirement employee costs, and the threat of State action to take away revenues. However, the City is in a position to accomplish completion of the major Visioning projects that the community desires. While growth in revenue over the next year is projected to be small, we expect that the economy will start to recover in the second half of next fiscal year and return to the more typical growth in revenue. The strong reserves maintained by the City reflect the foresight of the City Council and community and will allow the City to manage costs in a strategic manner.

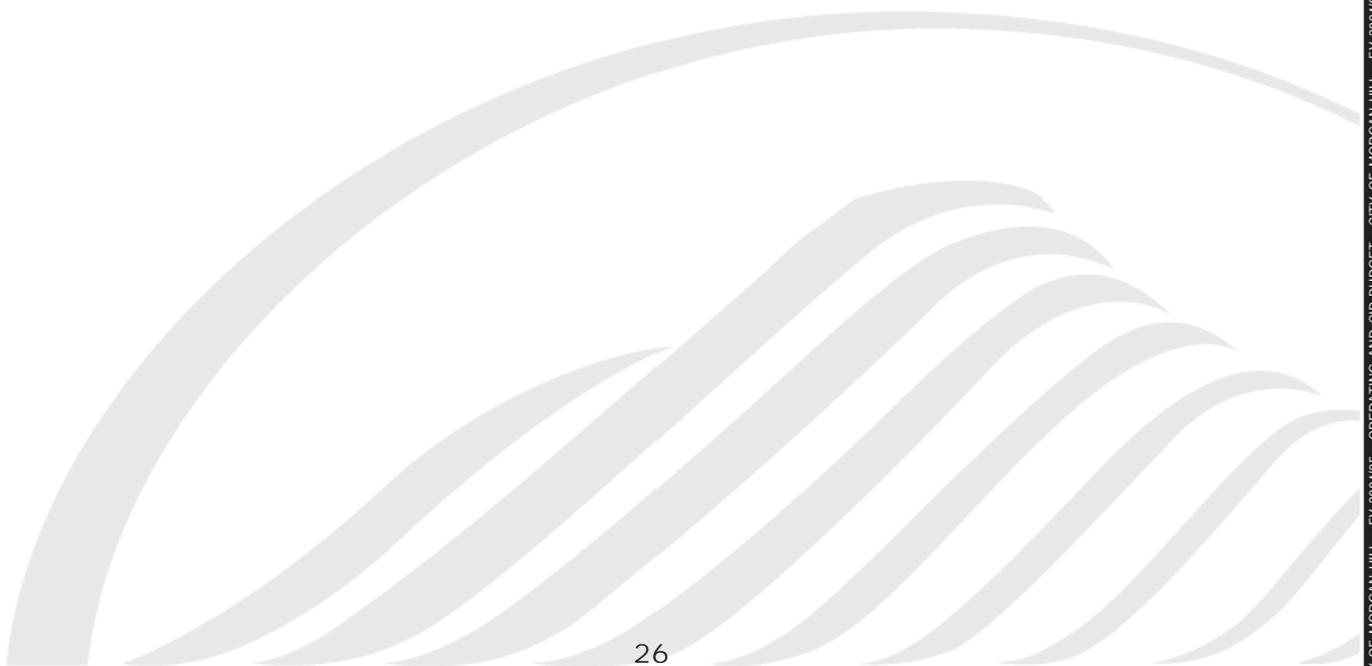
I wish to acknowledge my appreciation to the members of the City Council for your continued support of programs that deliver necessary public services and for your sound fiscal policy. I also wish to express my appreciation to the talented and dedicated City staff, including Budget Manager Chu Thai, for their assistance in the development of this budget.

Respectfully submitted,

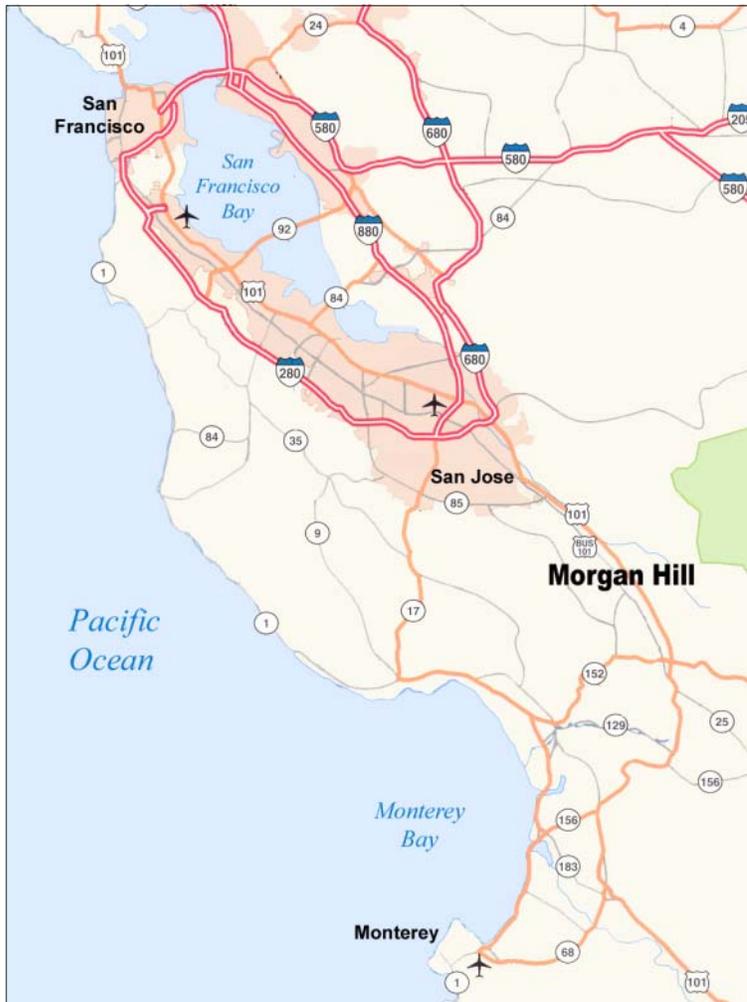


J. Edward Tewes
City Manager





About the City



Prior to the arrival of Spanish expeditions en route from Mexico, peaceful tribes of Native Americans inhabited the lush Santa Clara Valley. Under Spanish and Mexican jurisdictions, instituted in 1778, a vast region that includes present day Morgan Hill was one of the most substantial Spanish land grants for nearly three quarters of a century.

In 1845 Martin Murphy, Sr. acquired 9,000 acres known as the Rancho Ojo de Agua de la Coche. Murphy had been a leader of the first party of pioneers to cross the Sierra Nevada range at Truckee Pass, later to become the route for the Southern Pacific Railroad. The Murphy family made its home in the valley below El Toro Mountain. By 1870 Martin's seven sons and daughters had

managed to acquire more than 70,000 acres.

In 1851 the youngest son, Daniel, married Maria Fisher, heiress to the neighboring 19,000 acre Rancho Laguna Seca. Diana, their precocious daughter secretly married Hiram Morgan Hill in 1882. When Daniel Murphy died, Diana inherited 4,500 acres of their original rancho in the shadow of El Toro.

Diana and Hiram Morgan Hill built their estate, the Villa Mira Monte, between the railroad and Monterey Road in 1886. When the first Southern Pacific station was built in 1898, the railroad referred to this area as Huntington. Many visitors would request the train stop at "Morgan Hill's Ranch," changing the name to Morgan Hill.

By 1896 the growing community had a population of 250 with a post office, depot, two hotels, a restaurant, and several churches and shops. There was much controversy over the incorporation of the city. The Times printed many editorials supporting the issue, while those opposed were fearful of higher taxes. But the "yes" vote won by a margin of 65-36 and Morgan Hill became incorporated November 10, 1906. By 1909 the population rose to 1,000.

The first school was built in 1894, but was soon outgrown and in 1907 architect William Weeks designed a new school. By the 1920s the City was known for its agricultural products including prunes, apricots, peaches, pears, apples, walnuts, and almonds. The region boasted prosperous vineyards until Prohibition demanded that

About the City (continued)

production temporarily cease. Around the 1950s Morgan Hill experienced an economic transformation from an agricultural center to a suburban residential community. Growth began to accelerate rapidly in the 1970s as Silicon Valley developed and workers were attracted to Morgan Hill's small town atmosphere, sense of community and reasonable housing prices. On November 3, 1973 the Morgan Hill Civic Center and library were proudly dedicated to the community of 7,000. By 1980 the population increased to approximately 18,000 residents. The 2000 census confirmed that 33,000 citizens called Morgan Hill their home.

Thoughtful planning has made Morgan Hill one of the most desirable and fastest growing city in Santa Clara County. People are drawn to the beautiful hillsides surrounding the valley, the peaceful atmosphere, the quaint downtown shops and eateries and general quality of life. Parks and open spaces abound, making Morgan Hill one of the last communities in the region with a charming, small town atmosphere. The fertile soil in and around Morgan Hill help growers produce wonderful fruits, vegetables and award winning wine. Residents and visitors often spend a sunny afternoon visiting some of the local vineyards offering wine tasting and tours, enjoying one of the local golf courses, or floating above the city in a hot air balloon.

The City of Morgan Hill is actively working to increase the amount of park space available to its citizens. It has purchased the 37-acre soccer complex on Condit Road and plans to convert it to a sports complex with fields for multiple sports, restrooms and concession stands. The City recently purchased eight acres immediately east of its Community Park. The land is slated to include an indoor recreation center with a gymnasium, youth and senior wings, and perhaps a swimming pool. It also hopes to build an aquatics center. Morgan Hill youth have the opportunity to participate in an array of organized sports activities such as baseball, soccer, football as well as the availability of dance, gymnastics, and karate studies. The

Morgan Hill Unified School District works closely with the city to plan new school campuses.

The Morgan Hill Unified School District encompasses nearly 300 square miles and serves the ethnically diverse population of Morgan Hill, San Martin, portions of San Jose, and unincorporated areas of the county. We are comprised of 15 schools: ten elementary, two middle, one high school, a continuation high school, and a community adult school. MHUSD's multi-ethnic population includes over 9000 students and 1000 employees. The Board of Education continues to place a high priority on informing the community at large about its schools. Three new schools opened last school year: Barrett Elementary, a district school; Crossroads Baptist School, a private school; and the Charter School of Morgan Hill, a charter school funded by the state and private donations.

The City of Morgan Hill has made a large commitment to the arts and recreation. The Community and Cultural Center, constructed in December 2002 for \$13 million, features space for community members to create art and ceramics, to dance and exercise, and to meet. Part of this project included converting an historic church into a 199-seat theater with a 46-foot stage. In June of 2004, the \$8.7 million Aquatics Center was open to the public and features over 65,000 square feet of pool and pool deck space.

The Valley in which Morgan Hill is located is more than 4 miles wide and is surrounded by the Santa Cruz mountain range to the west, and the



About the City (continued)

Diablo mountain range to the east. Morgan Hill is located in southern Santa Clara Valley, approximately 12 miles south of San Jose, 10 miles north of Gilroy, and 15 miles inland from the Pacific Coast. The city is a short commute to the businesses of the Silicon Valley, and Caltrain runs daily through the city and connects commuters to San Jose's light rail systems throughout the Bay Area. Over the past three years, the city has seen a substantially elevated level of industrial/commercial development. During the last three years, Morgan Hill has gained 1.7 million square feet of building space. Morgan Hill is considered a natural setting for business - a balanced business environment that inspires innovation and productivity. From its picturesque hillside setting and exceptional quality of life.

Founded in 1906, Morgan Hill is a general law city with a council-manager form of government. The four Councilmembers are elected in municipal elections to four-year terms. The Mayor is directly elected to serve a two-year term. In addition to the Council, the City Clerk and City Treasurer are also elected to four-year terms. The city has a volunteer Planning Commission, made up of seven members appointed by a majority vote of the Council to four-year terms. Other advisory boards include the Architecture and Site Review, Bicycle Advisory, Library, Mobile Home Rent Control, Parks and Recreation, Senior Advisory and Youth Advisory commissions.

Projected Growth

	2000	2010	% incr
Population	32,122	38,800 ¹	21%
Households	12,430	15,440	24%
Employed	20,700	23,800	15%
Jobs	15,220	19,970	31%

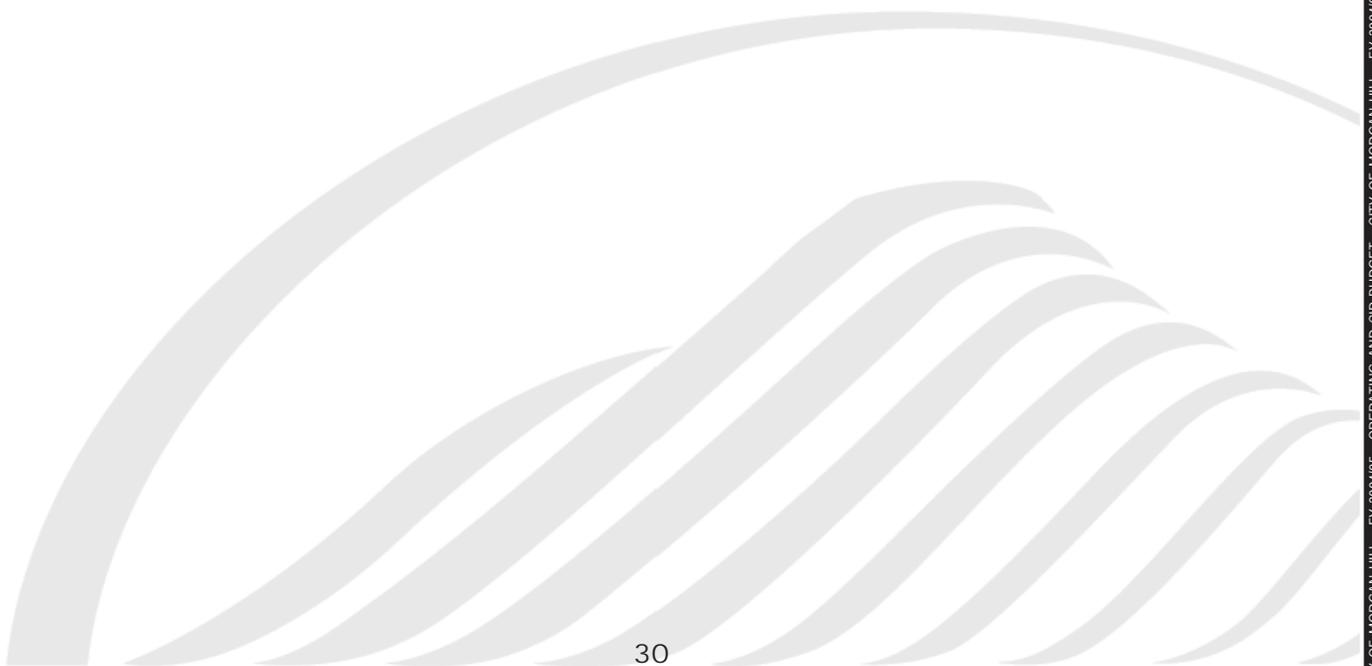
Source: Projection 2000 Association of Bay Area Governments. ¹ City of Morgan Hill General Plan 2000

Top Employers (May 2004)

Morgan Hill Unified School District	795
Anritsu	753
Abbott Laboratories	538
EDO Reconnaissance	336
Media Arts Group	260
Paramit Corporation	250
Fox Racing, USA	248
Educational Data Systems	218
City of Morgan Hill	180
Custom Chrome	173
Safeway Inc.	167
Ericsson RF	151
Metro One Telecommunications	147
Sun Valley Technical Repair	141
Target Store	140
Mervyns	138
North Coast Medical	134
Specialized Bicycle Components	122
Pacific Hills Manor	105
Mission Bell Mfg. Inc.	96
Alien Technology	95
Nob Hill Foods	92
Zeta	84

Morgan Hill At A Glance

Incorporated:	1906
Population:	35,489
Households:	11,839
Median Household Income:	\$81,958
Persons per households:	3.021
Square Miles:	12
Elevation (above sea level):	320'
Average Rainfall:	22.28"
Average Temperature	
January: High	58.1
Low	46.4
July: High	81.5
Low	54.4
Retail sales tax:	8.25%
Public Schools:	15
Churches:	21
Libraries:	1
Newspapers/New Publications:	3



Budget Overview

The Budget Overview contains general information regarding the budget process, including the budget guide, a description of the budget process, basis of accounting, Gann appropriation limit calculations, key revenue projections and assumptions, a description of allocated costs, budget policies, description of debt obligations and comparison of financial information to other jurisdictions. A description of funds and glossary of terms are also included in this section.

BUDGET GUIDE

This budget document contains the complete budget for the Fiscal Year 2004/05 for the City of Morgan Hill and the Redevelopment Agency of the City of Morgan Hill. Included are the budgets for the City's General Fund, Special Revenue Funds, Capital Projects Funds, Debt Service Funds, Enterprise Funds, Internal Service Funds, Agency Funds, Redevelopment Agency Funds and Capital Projects and Housing Funds. A complete copy of the Capital Improvement Plan (CIP) is also included.

The **Budget Message** includes the City Manager's letter of transmittal which focuses on the local economy, the budget as a plan for service delivery and the goals of staff for implementation of service levels.

Fund Balances contains a summary of all budgeted funds. Each fund shows estimated beginning fund balance at July 1, 2004, projected revenues, expenditures, transfers in, transfers out and projected ending fund balance at June 30, 2005. Also included in this section is a bar chart reflecting a five-year trend for the General Fund fund balance.

Summaries are prepared for **Revenues** and **Appropriations** for all funds. These summaries include prior year's actual, 2003/04 projected and budgeted, and 2004/05 proposed activity. General Fund revenues and expenditures are also summarized using graphs and/or bar charts for comparison purposes.

Personnel levels have a direct effect on public services. The **Staffing** section shows staffing levels by function. Organization charts are provided in this section and in each departmental budget where applicable. **Departmental budgets** also include a description of the department's activities, current year highlights, goals for the coming fiscal year and performance measures. The sections for each department contains historical information on staffing and expenditures.

Included in the **Supplemental Information** section are various reports on the status of pilot programs implemented, and reports regarding important issues facing the City.

A complete copy of the Five Year Capital Improvement Plan (CIP) is included under the heading of **Capital Programs**. The five year document represents a plan of improvements, a detailed description of each project and the available funding sources.

BUDGET TIMELINE

The Budget is based upon an in-depth analysis of actual and projected fund balances, revenues, and expenditures. Each City department prepares line item detail for each of their activities and recommends certain service levels and activity goals for the upcoming budget year. The Finance Department prepares revenue projections based upon input from other departments. The City Manager then reviews individual departmental requests, prioritizes activities based upon City Council policy, and makes certain adjustments. At the conclusion of this process, the proposed budget is prepared and is submitted to the City Council for review.

The City of Morgan Hill has prepared a one-year budget for Fiscal Year 2004/05. Beginning in January 2004, each department was provided with a budget calendar, information packet and various Finance prepared data. Departments submitted

Budget Overview (continued)

- 1) An "Appropriation Request/Transfer Form" is prepared by the department.
- 2) The request is submitted to Finance Department for review
- 3) The request is submitted to the City Manager for approval
- 4) Once approved, the request is returned to Finance Department to make the necessary adjustments.
- 5) The department receives authorization to use the adjusted appropriations.

If the request involves more than one activity or fund, Council approval is required in addition to City Manager approval.

In August/September, staff also requests that the City Council "rebudget" prior year's unexpended appropriations primarily for capital projects. In addition, staff requests that the City Council take action on final budget amendments to the prior year to assure that prior year's expenditures are below prior year's Council approved budget appropriations.

BASIS OF ACCOUNTING

Governmental funds include the General Fund, Special Revenue Funds, Debt Service Funds and Capital Project Funds. These funds are accounted for using the modified accrual basis of accounting. Agency funds are also accounted for using the modified accrual basis.

Proprietary funds include Enterprise Funds and Internal Service Funds. These funds are accounted for using the accrual basis of accounting.

The budgetary process is based upon accounting for certain transactions on a basis other than generally accepted accounting principles (GAAP basis). The major difference

between the budgetary basis and GAAP basis is that year end encumbrances are recognized as the equivalent of expenditures on the budgetary basis in governmental funds, while encumbered amounts are not recognized as expenditures on the GAAP basis.

ALLOCATED COSTS

The City of Morgan Hill has seven internal service funds. These funds account for the costs of services provided to other City departments. Costs are allocated to user departments based on various factors such as square footage, personnel, number of computer workstations and historical trends.

In addition to Internal Service funds, the City of Morgan Hill allocates General Fund overhead to other funds/departments as General Administration Overhead charge. The total administrative charge for the budget year 2004/05 is \$1,793,581. These charges are based on services provided on the basis of General Fund departments and are allocated by estimated service levels and personnel.

Budget Administrative Policies - With the adoption of the annual budget, the City Council recognizes that the appropriations for the operating activities and capital budgets are based on estimates of municipal needs for the fiscal year. In order to establish reasonable flexibility in the administration of the budget, the following policies have been adopted. These policies are intended to provide the authority necessary for the City Manager and Department Directors to administer the budget during the fiscal year in accordance with City Council directions, goals and policies, and in light of varying conditions which may occur.

Budget Overview (continued)

DEBT OBLIGATIONS

Special assessment districts within the City have issued debt repayable by special assessments levied on property in each respective district. The City is under no legal obligation to repay the special assessment debt. However, the City is required to make advances or to be the purchaser of last resort for property on which delinquent assessments are unpaid for certain districts. The following schedule presents the outstanding debt on these districts as of June 30, 2005:

<u>District</u>	<u>Year of Issue</u>	<u>Year of Maturity</u>	<u>04/05 Debt Services</u>	<u>Outstanding Principal</u>
Cochrane Bus Park	1986	2012	\$ 184,243	975,000
Joleen Way	1992	2009	31,000	100,000

Other bonds payable and certificates of participation (COP's) include sewer revenue bonds, a water facility loan and certificates of participation for water system improvement projects. The outstanding debt on these issues is as follows:

<u>District</u>	<u>Due Date</u>	<u>04/05 Debt Services</u>	<u>Outstanding Principal</u>
2002 SCRWA	2023	1,809,738	23,300,000
1993 Water Facilities	2017	31,000	1,301,964
1999 COP	2021	382,233	4,185,000

All principal and interest payments due on bonds, COP's and loans during Fiscal Year 2003/04 are included in the budget.

LEGAL DEBT LIMIT

Within the Comprehensive Annual Financial Report (CAFR), the City calculates its legal debt limit (the maximum amount of debt the City can issue) and compares it to the debt outstanding at the end of the year to produce the legal debt margin (the amount of debt the City can issue in future years). Currently, the City has no outstanding legal debt, and is within its legal debt margin of \$634,816,599.

Fiscal Policies

1. REVENUE

- A. The City will endeavor to maintain a diversified and stable revenue base to minimize the effects of economic fluctuations on revenue generation.
- B. The City will estimate revenues using an objective, analytical process; in the case of uncertainty, conservative projections will be utilized.
- C. The City will fund all current expenditures from current revenues and available fund balance, avoiding procedures that balance current budgets by postponing needed expenditures, accruing future revenues, or rolling over short-term debt.
- D. Development process costs and related administrative expenses will be offset by development fees.
- E. The City will identify basic tax-provided services and will establish user fees and charges for services provided in excess of basic services.
- F. City staff will provide monthly reports to the City Council which compare and analyze year-to-date actual revenues and expenditures to budget.

2. RESERVES & DESIGNATIONS

Purpose

- A. The City of Morgan Hill commits to target the minimum level necessary to maintain the City's credit worthiness and to adequately provide for economic uncertainties, local disasters or catastrophes, future debt or capital obligations, cash flow requirements and legal requirements.
- B. The City shall maintain unappropriated fund balance or working capital in the General Fund, Water and Sewer operating funds, Water and Sewer rate stabilization funds, Community Development Fund, and certain internal service funds.

Policy

- C. General Fund – As adopted at the City Council Policies & Goal Setting retreat on February 18, 2004:

General Fund Reserves may be used to support General Fund expenditures as long as:

- 1. Revenues and expenditures balance by June 30, 2008, and
- 2. Reserve levels are not depleted below 25% of revenues in any year with the following exception:
 - a. reserves below 25% may be invested in long term cost savings projects or high return economic development projects, and
 - b. reserves shall never be depleted below 10% of revenues which shall be maintained as an ongoing reserve for emergencies.

- D. Water and Sewer Operating Funds – The City shall make every effort to keep a minimum reserve level of 25% of the appropriated operating budget for each of these enterprise operating funds.

- E. Water and Sewer Rate Stabilization Funds – The City shall make every effort to keep a minimum reserve level for each of these funds equal to 20% of the annual estimated utility usage revenue accounted in for in the operating budget, in case of a temporary drop in customer demand.

- F. Community Development Fund – The City shall make every effort to keep a minimum reserve level of 30% of the appropriated operating budget for the Community Development Fund, in order to provide for those temporary periods when less development activity occurs and less revenue is collected by the City.

Fiscal Policies (continued)

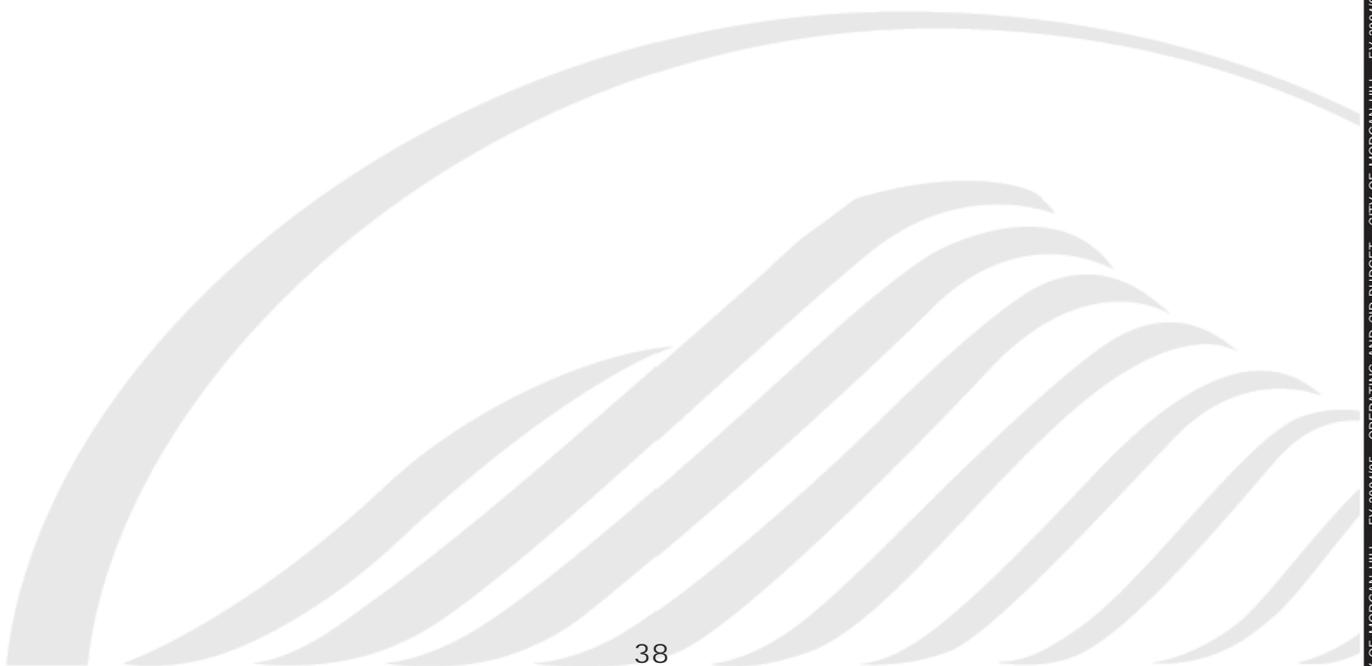
- G. Unemployment – The City shall make every effort to maintain a minimum reserve level in the Unemployment Fund equal to 100% of the appropriation for unemployment claims.
- H. Worker’s Compensation – The City shall make every effort to maintain a minimum reserve level for Worker’s Compensation equal to the sum of twice the self insured amount for a single claim.
- I. General Liability – The City shall make every effort to maintain a minimum reserve level equal four times the self insured retention for general liability.

Budgetary Designations

- J. A portion of General Fund Balance will be designated for economic uncertainties and not be reflected in available fund balance for budget purposes. This is to avoid the need for service level reductions in the event an economic downturn causes revenues to come in lower than budget.
- K. Reserves for Encumbrances and Continuing Appropriations are established at the end of every fiscal year to reserve fund balance in the amount equal to the City’s unpaid obligations and unfinished projects at year-end.
- L. Other reserves, such as for cash flow needs or anticipated costs for service enhancements, will be established each fiscal year as needed.

3. CASH MANAGEMENT

- A. Investments and cash management will be the responsibility of the City Treasurer.
- B. In accordance with Section 53646 of the Government Code, the City Council will review and update annually, a specific investment policy. The primary purpose of this policy is to set forth the City’s investment philosophy and objectives. The City’s investment objectives are, in order of priority: 1) safety, 2) liquidity, and 3) yield. The policy also specifically outlines authorized investments, the acceptable percentages and maximum maturities allowed for each investment instrument and the criteria used to determine qualified depositories/dealers.
- C. The City invests all idle cash as determined by analysis of anticipated cash flow needs. Specific emphasis will be placed on future cash requirements when selecting maturity dates to avoid forced liquidations and the potential corresponding loss of investment earnings.
- D. In order to maximize yields from the overall portfolio, the City will consolidate cash balances from all funds for investment purposes, and will allocate investment earnings to each fund in accordance with generally accepted accounting principles.
- E. The City Treasurer will generate a monthly report to the City Council in conformance with all State laws and City investment policy requirements.
- F. The City’s independent auditors, in conjunction with their annual audit, will audit the cash and investment balances in conformance with generally accepted accounting principles.



Description of Funds

GENERAL FUND

The General Fund is a governmental fund used to account for the day-to-day operations of the City. All financial activity that is not required to be accounted for in another fund is included in the General Fund. Public safety, government administration, recreation, and park maintenance are funded from the General Fund.

General Fund (010)

The General Fund receives all general taxes, such as property taxes, sales taxes and transient occupancy taxes, licenses and permits, funding from other government agencies such as vehicle-in-lieu fees, fines and penalties, interest, rentals not specifically designated for another fund, and charges for current services.

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments and major capital projects) that are legally restricted to expenditures for specified purposes.

Street Maintenance Fund (202)

The Street Maintenance Fund is a special revenue fund used to account for the receipt and disbursement of State and Federal gas tax and grant monies, and other monies that are to be used for the maintenance, repair, and design of streets. State gas tax funds are distributed to cities based on population from gas taxes collected at the point of sale. The use of gas tax funds is restricted to street expenditures by State and Federal legislation.

Public Safety Trust Funds (204/205)

The Public Safety Trust Fund is a special revenue fund used to account for the receipt and disbursement of State and Federal grant monies that provide for the restoration of public safety services. The use of grant monies in this fund is legally restricted for the funding of public safety officers and/or supplies under the terms of the grants.

Community Development Fund (206)

The Community Development Fund is a special revenue fund used to account for the collection of planning, building, and engineering fees. The expenditures of these funds are restricted to the costs associated with processing building, engineering and planning applications.

General Plan Update Fund (207)

The General Plan Update Fund is a special revenue fund established to account for the costs of updating the General Plan. The update has been funded by transfers from various funds: General, Park Development Impact, Community Development, Redevelopment, Housing, Sewer, and Water. The expenditures are restricted to costs incurred for the General Plan update.

Community Center Fund (210)

The Community Center Fund was established to provide a vehicle for the accumulation of funds and future interest earnings to help offset the start up costs and costs of operation and maintenance for new community facilities.

CDBG/CDBG Revolving Loan Funds (215/216)

The Community Development Block Grant (CDBG) and CDBG Revolving Loan Funds are special revenue funds used to account for Federal low and moderate income housing program funds. These funds are restricted to low and moderate income housing uses.

Environmental Programs Fund (232)

The Solid Waste Management Fund is a special revenue fund established to account for the costs of developing and implementing waste reduction programs and administering the City's franchise agreement for solid waste. The revenues for this fund come from a portion of the franchise fees for garbage services and are restricted to the above uses.

Description of Funds (continued)

Redevelopment Project Fund (317)

The Health and Safety Code of the State of California specifies the funds that Redevelopment Agencies are to use to account for the activity of an Agency. Redevelopment Project Fund accounts for the activities of the Redevelopment Agency capital projects, economic development, and the administrative costs of the Agency. Expenditures may be made from this fund only for the design, engineering, administration, construction and other costs associated with Redevelopment projects.

Redevelopment Housing Funds (327/328)

Redevelopment Housing Funds account for the 20% set-aside funds collected from property tax increment for housing programs. Expenditures may be made from this fund only for the design, engineering, administration, construction and other costs associated with Redevelopment housing projects.

Public Facilities Impact Funds (346/347)

Public Facilities Impact Fund revenues are derived from fees charged to developers to cover the costs to construct public improvements required as a result of new development. Expenditures may only be made for the future construction of the required new facilities or to reimburse the City for funds advanced to construct such facilities. (Fund 347 is subject to the restrictions of AB1600.)

Library Impact Fund (348)

Library Impact Fund revenues are derived from a fee charged to developers to cover the costs to construct library improvements required as a result of new development. Expenditures may only be made for the future construction of the required new library facilities or to reimburse the City for funds advanced to construct such facilities. (Fund is subject to the restrictions of AB1600.)

Undergrounding Fund (350)

Undergrounding Fund receives revenues from developers for the undergrounding of utilities in areas of new development. Expenditures may be made from these funds only for the design and construction associated with such undergrounding.

Community Center Impact Fund (360)

This is a new fund set up to collect revenues derived from a fee charged to developers to cover the costs to construct new community centers within Morgan Hill.

DEBT SERVICE FUNDS

Debt Service Funds are used to account for the accumulation of resources for, and payment of, general long-term debt principal, interest, and related costs.

Assessment District Funds (527-551)

Assessment District funds are established to permit the City to sell bonds to provide the funds to construct improvements in new developments. Property assessments are collected from property owners within the assessment district for a proportional share of the improvements, and debt service payments for the bonds are made from the assessments collected. These funds are restricted by the bond covenants and agreements. These bonds are not a debt of the City.

ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Sewer Operations Fund (640)

The Sewer Operations Fund receives revenues from user charges based on sewer usage. All expenditures for the operation of the sewer system including maintenance, and debt service are charged to the Sewer Operations Fund.

Description of Funds (continued)

Sewer Impact Fund (641)

The Sewer Impact Fund receives revenues from developer charges to cover the costs to construct sewer improvements required as a result of new development. Expenditures may only be made for the construction of the required improvements or to reimburse the City for funds advanced to construct such improvements. (Fund is subject to the restrictions of AB1600.)

Sewer Rate Stabilization Fund (642)

The Sewer Rate Stabilization Fund was established to avoid fluctuations in the sewer rates charged. The fund was initially funded with onetime revenue. The initial contribution to the Rate Stabilization Fund was \$4,000,000 from the Sewer Operations Fund.

Sewer Capital Project Fund (643)

Previously identified as the Sewer System Replacement Fund, this fund was renamed and combined with the Sewer Capital Projects Fund. This fund was established to avoid fluctuations in the sewer rates charged by providing reserve funding for future system replacements. The fund was initially funded with one-time revenues. The initial contribution to the System Replacement Fund was \$1,300,000 from the Sewer Operations Fund. Future funding will come from transfers from the Operations Fund.

Water Operations Fund (650)

The Operations Fund receives revenues from user charges based on water usage. All expenditures for the operation of the water system including maintenance, and debt service are charged to the Water Operations Fund.

Water Impact Fund (651)

The Impact Fund receives revenues from developer charges to cover the costs to construct water improvements required as a result of the new development. Expenditures may only be made for the construction of the required improvements or to reimburse the City for funds advanced to construct such improvements. (Fund is subject to the restrictions of AB1600.)

Water Rate Stabilization Fund (652)

The Rate Stabilization Fund was established to avoid fluctuations in the water rates charged. The fund was initially funded with one-time revenue. The initial contribution to the Rate Stabilization Fund was \$800,000 from the Water Operations Fund.

Water Capital Projects Fund (653)

Previously identified as the Water System Replacement Fund, this fund was renamed and combined with the Water Capital Projects Fund. This fund was established to avoid fluctuations in sewer rates by providing reserve funding for future system replacements. The initial contribution to this fund was \$2,550,000 from the Water Operations Fund. Future contributions will come from transfers from the Operations Fund.

Description of Funds (continued)

INTERNAL SERVICE FUNDS

Internal Service Funds account for the financing of goods and/or services provided by one department to other departments within the City and the Redevelopment Agency. The Internal Service Fund accumulates all the costs related to the service provided and then the costs are charged to the department receiving the goods and/or services based on the quantity of service received.

The City maintains the following Internal Service Funds:

- **Information Systems (730)**
- **Building Maintenance (740)**
- **Capital Improvement Program Administration (745)**
- **Unemployment Insurance (760)**
- **Worker's Compensation (770)**
- **Equipment Replacement (790)**
- **General Liability Insurance (795)**

AGENCY FUNDS

Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The City maintains the following Agency Funds:

- **MH Business Ranch I AD (841)**
- **MH Business Ranch II AD (842)**
- **MH Business Ranch 98 AD (843)**
- **MH Ranch Reassessment 2004 (844)**
- **Madrone Bus. Park - Exempt (845)**
- **Madrone Bus. Park - Taxable (846)**
- **Tennant Ave Business Park (848)**
- **Police Donation Trust (881)**



Glossary of Budget & Financial Terms

Accounting System:	The total set of records and procedures which are used to record, classify, and report information on the financial status and operations of an entity.
Appropriation:	An authorization made by the City Council which permits officials to incur obligations against and to make expenditures of governmental resources for a specific purpose within the budget year, July 1 through June 30.
Assessed Valuation:	The estimated value placed upon real and personal property by the County Assessor as the basis for levying property taxes.
Assets:	Property owned by the City which has monetary value.
Audit:	<p>A systematic examination of the City's financial records and processes concluding in a written report. It includes test of management's internal accounting controls and is intended to:</p> <ul style="list-style-type: none">- ascertain whether financial statements fairly present financial positions and results of operations;- test whether transactions have been legally performed; and- identify areas for possible improvements in accounting practices and procedures.
Balance Sheet:	A statement presenting the financial position of an entity by disclosing its assets, liabilities, and fund equities as of a specific date.
Bond (Debt Instrument):	A written promise to pay (debt) a specified sum of money (called principal or face value) at a specified future date (called the maturity date) along with periodic interest paid at a specified percentage of the principal (interest rate). Bonds are typically used for long-term debt to pay for specific capital expenditures.
Budget (Operating):	A plan of financial operation listing an estimate of proposed expenditures (appropriations) for a given period (typically a fiscal year) and the proposed means of financing them (revenue estimates).
Budget Calendar:	The schedule of key dates or milestones which the City follows in the preparation and adoption of the budget.
Budget Message:	A discussion of the proposed budget presented by the City Manager in writing as a part of, or supplement to, the budget document. The budget message explains principal budget issues against the background of financial experience in recent years and presents recommendations made.
Capital Assets:	Assets of significant value and having a useful life of more than one year. Capital assets are also called fixed assets.

Glossary (continued)

Capital Budget:	A plan of proposed capital expenditures and the means of financing them.
Capital Improvement Program:	A five year plan for expenditures setting forth each capital project, the amount to be expended in each year, and the method of financing those expenditures. Expenditures may include the design, construction, or purchase of land, buildings, or facilities.
Capital Outlays:	Expenditures for the acquisition of capital assets. Includes the cost of land, buildings, permanent improvements, machinery, large tools and rolling and stationary equipment.
Capital Projects:	Projects for purchase or construction of capital assets. Typically a capital project encompasses a purchase of land and/or the construction of a building or facility.
Capital Projects Fund:	Used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by Enterprise and Internal Service Funds).
Certificate of Deposit:	A negotiable or non-negotiable receipt for monies deposited in a bank or financial institution for a specified period at a specified rate of interest.
CIP Engineering:	All work involved in preparation of construction plans, contractual documents and construction administration for the design and upgrade of various infrastructures for projects identified in the 5-year Capital Improvement Program.
Contingency:	A budgetary reserve set aside for emergencies or unforeseen expenditures not otherwise budgeted for.
Debt Service:	Payment of interest, and repayment of principal to holders of the City's debt instruments.
Debt Service Fund:	Used to account for the accumulation of resources for, and payment of, general long-term debt.
Deficit:	(1) The excess of an entity's liabilities over its assets (see Fund Balance); or (2) The excess of expenditures or expenses over revenues during an accounting period.
Encumbrances:	Obligations in the form of purchase orders or contract commitments which are chargeable to an appropriation and for which a part of the appropriation is reserved. Encumbrances are eliminated when paid or when a liability is recorded.

Glossary (continued)

Enterprise Fund:	Separate fund used to account for government operations that are financed and operated in a manner similar to business enterprises. These programs are entirely or predominantly self-supporting. Examples of Enterprise Funds are those used for sewer and water systems.
Expenditures:	The payment against an appropriation for goods received or services rendered.
Fiscal Year:	The twelve-month period beginning July 1st and ending the following June 30 th .
Fund:	An independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other resources together with all related liabilities, obligations, reserves, and equities which are segregated for the purpose of carrying on specific activities or attaining certain objectives.
Fund Balance:	The excess of an entity's assets over its liabilities representing the cumulative effect of revenues and other resources over expenditures and other uses.
General Fund:	The fund supported by taxes, fees, and other revenues that may be used for any lawful purpose. The general fund accounts for all financial resources except those required to be accounted for in another fund. This fund accounts for the general operating programs of the City.
General Obligation Bonds:	When the City pledges its full faith and credit to repayment of the bonds it issues, then those bonds are general obligation (G.O.) bonds. Sometimes the term is also used to refer to bonds which are to be repaid from taxes and other general revenues. In California, G.O. bonds issued after 1977 must be authorized by public referenda with two-thirds voter approval.
Infrastructure:	All City owned facilities supporting the operation of the governmental unit. It includes: streets, roads, bridges, curbs and gutters, parks, water and sewer lines, storm drains, water pump stations and reservoirs, water wells, sewer lift stations, all government buildings and related facilities.
Intergovernmental Grant:	A contribution of assets (usually cash) by one governmental unit or other organization to another. Typically, these contributions are made to local governments from the State and Federal Governments. Grants are usually made for specified purposes.
Internal Service Fund:	Funds used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City.

Glossary (continued)

Investments:	Securities and real estate purchased and held for the production of income in the form of interest, dividends, rentals or base payments.
Liability:	A debt or other legal obligation arising out of transactions in the past which must be liquidated, renewed or refunded at some future date. NOTE: The term does not include encumbrances.
Maturities:	The dates on which the principal or stated values of investments or debt obligations mature and may be reclaimed.
Operating Funds:	Resources derived from recurring revenue sources used to finance ongoing operating expenditures and pay-as-you-go capital projects.
Performance Measures:	Specific quantitative measures of work performed within an activity or program (e.g., total miles of streets cleaned). Also, a specific quantitative measure of results obtained through a program or activity (e.g., reduced incidence of vandalism due to new street lighting program).
Reserve:	An account used to indicate that a portion of fund equity that is legally restricted for a specific purpose.
Resources:	Total dollars available for appropriations including estimated revenues, fund transfers, and beginning fund balances.
Revenue:	Total dollars received from taxes, fees, permits, licenses, interest, and intergovernmental sources including grants within the fiscal year.
Revenue Bonds:	Bonds which pledge one specific revenue source to repayment. In addition to a pledge of revenues, such bonds sometimes may be secured by a lien against property.
Revenue Estimate:	A formal estimate of how much revenue will be earned from a specific revenue source for some future period; typically, a future fiscal year.
Special Revenue Fund:	Separate fund used to account for the proceeds of special revenue sources that are restricted by law (or administrative action) to expenditures for specific purposes.
Unit Cost:	The cost required to produce a specific product or unit of service (e.g., the cost to purify one thousand gallons of water).
User Charges:	The payment of a fee for direct receipt of a public service by the party benefitting from the service.
Yield:	The rate earned on an investment based on the price paid.

Adoption of the City Budget & Appropriations Limit

RESOLUTION NO. 5814

A RESOLUTION OF THE CITY COUNCIL OF CITY OF MORGAN HILL ADOPTING THE 2004/05 ANNUAL CITY BUDGET AND ADOPTING THE APPROPRIATIONS LIMIT FOR FISCAL YEAR 2004/05

WHEREAS, the City of Morgan Hill Budget for the 2004/05 fiscal year was prepared by the City staff and reviewed by the City Manager;

WHEREAS, the City of Morgan Hill Budget for the 2004/05 fiscal year was presented to the City Council on May 19, 2004, was reviewed at a Public Workshop on May 21, 2004, was further reviewed at a Public Hearing on June 2, 2004;

WHEREAS, in accordance with the State Revenue and Taxation Code Section 7910, the City of Morgan Hill's 2004/05 appropriations limit is \$54,717,489, as shown on Schedule A. The appropriations for the 2004/05 fiscal year, as shown on Schedule B, which are subject to the appropriations limit as set forth in Article XIII B of the California Constitution, do not exceed the limit as stated above. The annual adjustment factors that were selected to calculate the 2004/05 limit were: 1) California Per Capita Personal Income adjustment of 1.0328%; and 2) County Population Growth of 1.0216%; and

WHEREAS, modifications and amendments to the adopted 2004/05 City of Morgan Hill Budget can only be made in accordance with the "Budget Administrative Policies" in the Proposed Budget;

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Morgan Hill finds that the Capital Improvement Program is in conformity with the General Plan; and

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Morgan Hill does hereby approve and adopt the City of Morgan Hill 2004/05 Budget, Appropriations Limit and Appropriations Limit Adjustment Factors for Fiscal Year 2004/05.

PASSED AND ADOPTED by the City Council of Morgan Hill at a Regular Meeting held on the 16th day of June, 2004, by the following vote:

AYES:	COUNCIL MEMBERS:	Larry Carr, Hedy Chang, Dennis Kennedy, Greg Sellers, Steve Tate
NOES:	COUNCIL MEMBERS:	None
ABSENT:	COUNCIL MEMBERS:	None
ABSTAIN:	COUNCIL MEMBERS:	None

City Budget & Appropriations Limit (continued)

SCHEDULE A

CITY OF MORGAN HILL SPENDING LIMIT CALCULATION FISCAL YEAR 2004/05

APPROPRIATIONS SUBJECT TO LIMIT

Fiscal Year 2004-05 General Fund Revenues	\$16,839,953
Less Non Proceeds of Tax	5,078,337
Total appropriations subject to limits	<u>\$11,761,616</u>

APPROPRIATIONS LIMIT

Fiscal year 2003-04 appropriations limit	\$51,859,586
--	--------------

Plus Change Factor:

A. Cost of living adjustment - CPI	1.0328
B. Population Adjustment	1.0216

Total Change Factor	1.05510848
---------------------	------------

Increase in appropriations limit	<u>2,857,903</u>
----------------------------------	------------------

FISCAL YEAR 2004-05 APPROPRIATIONS LIMIT	<u>54,717,489</u>
---	--------------------------

Remaining appropriations capacity	42,955,873
-----------------------------------	------------

Available capacity as a percent of appropriations limit	<u>79%</u>
---	------------

NOTES

- a. Cost of Living adjustment is based on percentage change in California per capita income.
- b. Population adjustment is based on the greater of annual population change for the City of Morgan Hill or Santa Clara County.

Adoption of the RDA Budget

RESOLUTION NO. MHRA-251

A RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF MORGAN HILL ADOPTING THE 2004/05 ANNUAL AGENCY BUDGET

WHEREAS, the Redevelopment Agency of the City of Morgan Hill Budget for the 2004/05 fiscal year was prepared by Redevelopment Agency and City staff and was reviewed by the City Manager/Executive Director;

WHEREAS, the Redevelopment Agency of the City of Morgan Hill Budget for the 2004/05 fiscal year was presented to the City Council on May 19, 2004, was reviewed at a Public Workshop on May 21, 2004, was further reviewed at a Public Hearing on June 2, 2004;

WHEREAS, modifications and amendments to the adopted 2004/05 Redevelopment Agency of the City of Morgan Hill Budget can only be made in accordance with the "Budget Administrative Policies" described in the Proposed Budget;

NOW, THEREFORE, the Redevelopment Agency Board finds that planning and administrative costs attributable to the Housing 20% Set-Aside fund are necessary and proportionate to amounts proposed for actual housing activities during the fiscal year; and

NOW, THEREFORE, BE IT RESOLVED that the Agency Board of the Redevelopment Agency of the City of Morgan Hill does hereby approve and adopt the Redevelopment Agency of the City of Morgan Hill 2004/05 Budget.

PASSED AND ADOPTED by the Morgan Hill Redevelopment Agency at a Special Meeting held on the 16th day of June, 2004 by the following vote:

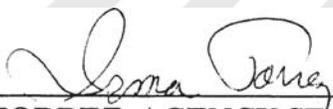
AYES:	AGENCY MEMBERS:	Larry Carr, Hedy Chang, Dennis Kennedy, Greg Sellers, Steve Tate
NOES:	AGENCY MEMBERS:	None
ABSENT:	AGENCY MEMBERS:	None
ABSTAIN:	AGENCY MEMBERS:	None

• CERTIFICATION •

I, **IRMA TORREZ, AGENCY SECRETARY**, do hereby certify that the foregoing is a true and correct copy of Resolution No. MHRA-251 adopted by the Morgan Hill Redevelopment Agency at the Special Meeting of June 16, 2004

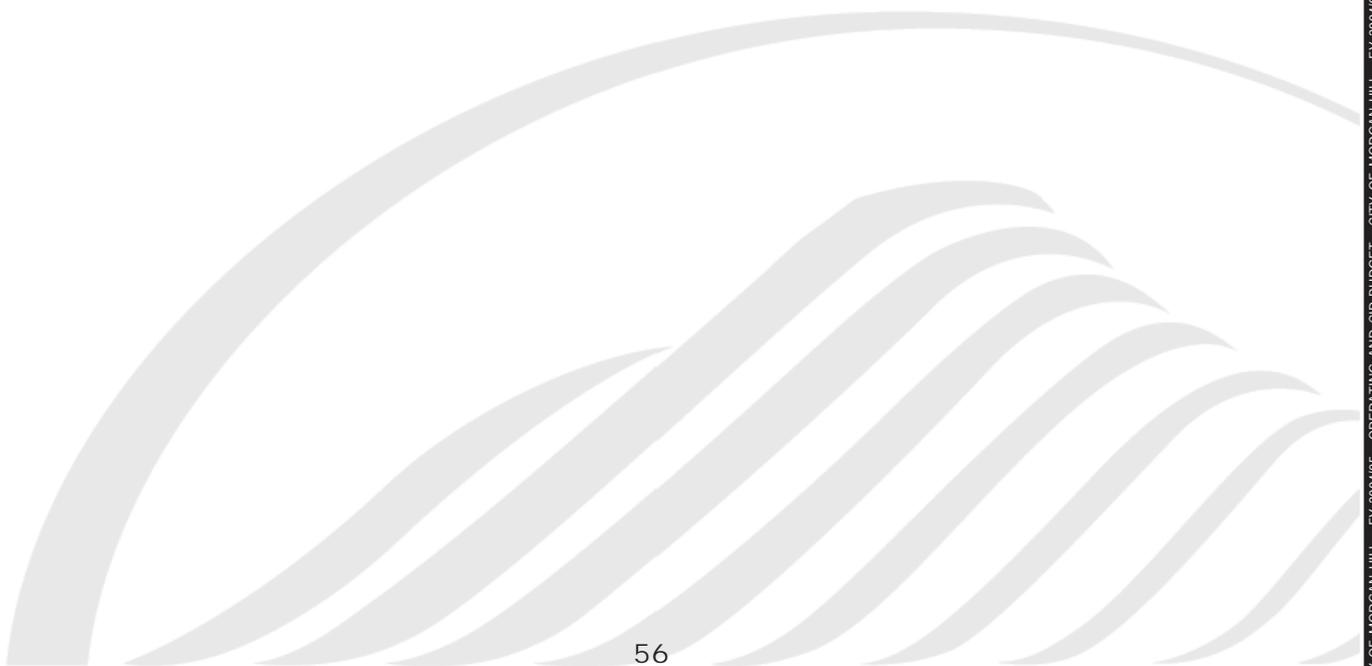
WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL

DATE: June 18, 2004



IRMA TORREZ, AGENCY SECRETARY





Combined Statement of Revenues, Expenditures and Changes in Fund Balance (FY 04/05)

	General Fund	Special Revenue	Capital Project	Debt Service	Enterprise	Internal Services	Agency	ALL FUNDS
SOURCES OF FUNDS								
Property Tax	2,960,896	130,000	22,017,627	310,869	-	-	2,511,901	27,931,293
Other Taxes	7,129,500	333,000	-	-	-	-	-	7,462,500
Licenses & Permits	201,720	-	-	-	-	-	-	201,720
Fines & Penalties	47,000	-	-	-	-	-	-	47,000
Use of Money & Property	819,261	107,525	592,047	11,797	6,323,578	93,965	57,064	8,005,237
Other Agencies	1,728,200	950,130	-	-	-	-	-	2,678,330
Charges for Current Svs.	3,536,276	2,793,869	1,916,800	-	11,618,875	4,947,882	-	24,813,702
Other Revenues	14,000	73,900	1,358,000	-	1,377,000	-	-	2,822,900
Transfers In	403,100	750,000	-	-	2,500,000	49,025	-	3,702,125
TOTAL SOURCES	16,839,953	5,138,424	25,884,474	322,666	21,819,453	5,090,872	2,568,965	77,664,807
USES OF FUNDS								
Salaries	10,357,057	2,568,973	1,537,910	-	2,912,738	1,392,355	-	18,769,033
Supplies & Services	6,376,593	1,890,343	323,970	1,600	7,306,156	2,648,321	14,677	18,561,660
Capital Outlay	41,400	11,000	2,510	-	356,300	400,667	-	811,877
Debt Services	79,000	-	83,000	216,443	2,104,955	970	2,422,365	4,906,733
Internal Service	1,812,233	929,860	600,897	15,718	853,130	165,007	31,436	4,408,281
Transfers Out	99,025	338,100	125,000	-	3,140,000	-	-	3,702,125
Project Expenditure	-	1,350,187	25,769,888	-	5,483,000	-	-	32,603,075
TOTAL USES	18,765,308	7,088,463	28,443,175	233,761	22,156,279	4,607,320	2,468,478	83,762,784
SOURCE/USE VARIANCE	(1,925,355)	(1,950,039)	(2,558,701)	88,905	(336,826)	483,552	100,487	(6,097,977)
(PROJ) BAL ON 7/1/04	9,821,672	5,552,952	26,237,044	304,024	17,075,382	5,196,353	2,171,847	66,359,274
(PROJ) BAL ON 6/30/05	7,896,317	3,602,913	23,678,343	392,929	16,738,556	5,679,905	2,272,334	60,261,297

Fund Balance Projection (FY 04/05)

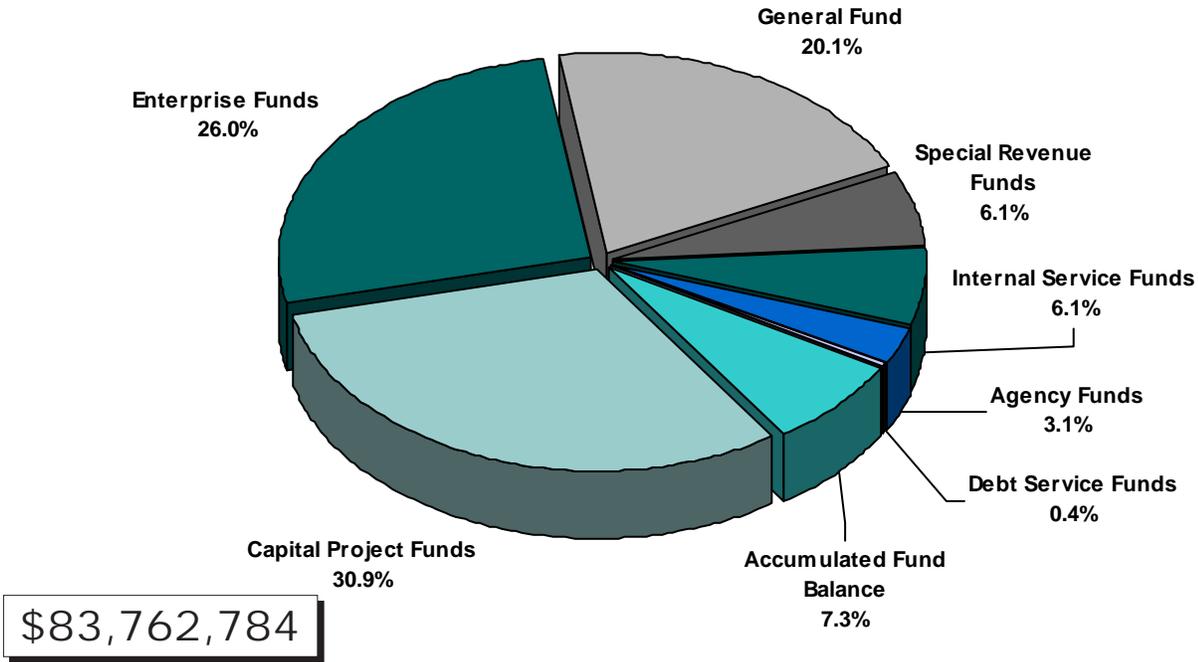
Fund Description	04/05 Fund Bal 07/01/04	04/05 Projected Revenue	04/05 Projected Transfer In	04/05 Projected Transfer Out	04/05 Projected Expenditure	04/05 Projected Bal 06/30/05
General Fund						
010 General Fund Undesignated	6,200,100	16,436,853	403,100	99,025	18,666,283	3,787,104
General Fund Reserve	3,621,572	-	-	-	-	4,109,213
Subtotal	9,821,672	16,436,853	403,100	99,025	18,666,283	7,896,317
Special Revenue Funds						
202 Street Maintenance	1,637,778	703,635	700,000	-	1,719,236	1,322,177
204/205 Public Safety Trust	320,411	106,103	-	175,000	520	250,994
206 Community Development	1,213,445	2,737,309	-	-	3,221,845	728,909
207 General Plan	112,313	80,154	-	-	60,498	131,969
210 Community Centers	98,997	2,119	50,000	-	-	151,116
215 HCD	-	166,440	-	15,000	151,440	-
216 HCD Rehab	111,919	9,648	-	-	121,567	-
220 Museum	-	-	-	-	-	-
225 Asset Seizure	46,691	1,020	-	-	-	47,711
229 Light & Landscape	10,021	130,766	-	-	140,038	749
232 Environmental Programs	582,251	399,491	-	148,100	269,837	563,805
234 Mobile Home Park Rent	20,147	5,148	-	-	5,202	20,093
235 Senior Housing Trust	259,576	5,501	-	-	20,180	244,897
236 Housing Mitigation	1,059,672	12,031	-	-	1,015,000	56,703
240 Employee Assistance	79,731	29,059	-	-	25,000	83,790
Subtotal	5,552,952	4,388,424	750,000	338,100	6,750,363	3,602,913
Capital Project Funds						
301 Park Development	3,680,596	578,596	-	-	2,062,944	2,196,248
302 Park Maintenance	3,009,140	254,863	-	125,000	25,000	3,114,003
303 Local Drainage	2,895,418	243,292	-	-	2,001,536	1,137,174
304 Local Drainage/Non AB 1600	3,198,265	146,377	-	-	841,669	2,502,973
305 Off Street Parking	-	-	-	-	-	-
306 Open Space	616,588	165,125	-	-	-	781,713
309 Traffic Impact	2,882,119	651,916	-	-	1,050,000	2,484,035
311 Police Impact	60,150	39,568	-	-	88,937	10,781
313 Fire Impact	2,271,193	138,417	-	-	101,380	2,308,230
317 RDA	471,145	17,297,308	-	-	14,342,563	3,425,890
327/328 Housing/Rehab Loan	3,722,649	4,849,727	-	-	5,824,189	2,748,187
340 MH Bus Ranch AD CIP	49,044	1,069	-	-	-	50,113
342 MH Bus Ranch II AD CIP	55,078	1,201	-	-	-	56,279
346 Public Fac/Non AB 1600	611,457	629,137	-	-	553,000	687,594
347 Public Facilities Impact	1,076,762	74,737	-	-	1,365	1,150,134
348 Library Impact	481,168	526,000	-	-	1,000,202	6,966
350 Undergrounding	1,146,353	242,742	-	-	375,390	1,013,705
360 Community Center Impact	9,919	44,399	-	-	50,000	4,318
Subtotal	26,237,044	25,884,474	-	125,000	28,318,175	23,678,343
Debt Service Funds						
536 Encino Hills AD	69,087	1,495	-	-	-	70,582
539 MH Business Park AD	12,051	250	-	-	-	12,301
542 Sutter Business Park AD	25,299	552	-	-	-	25,851
545 Cochrane Bus Park AD	191,121	279,134	-	-	194,200	276,055
551 Joleen Way AD	6,466	41,235	-	-	39,561	8,140
Subtotal	304,024	322,666	-	-	233,761	392,929

Fund Balance (FY 03/04 Continued)

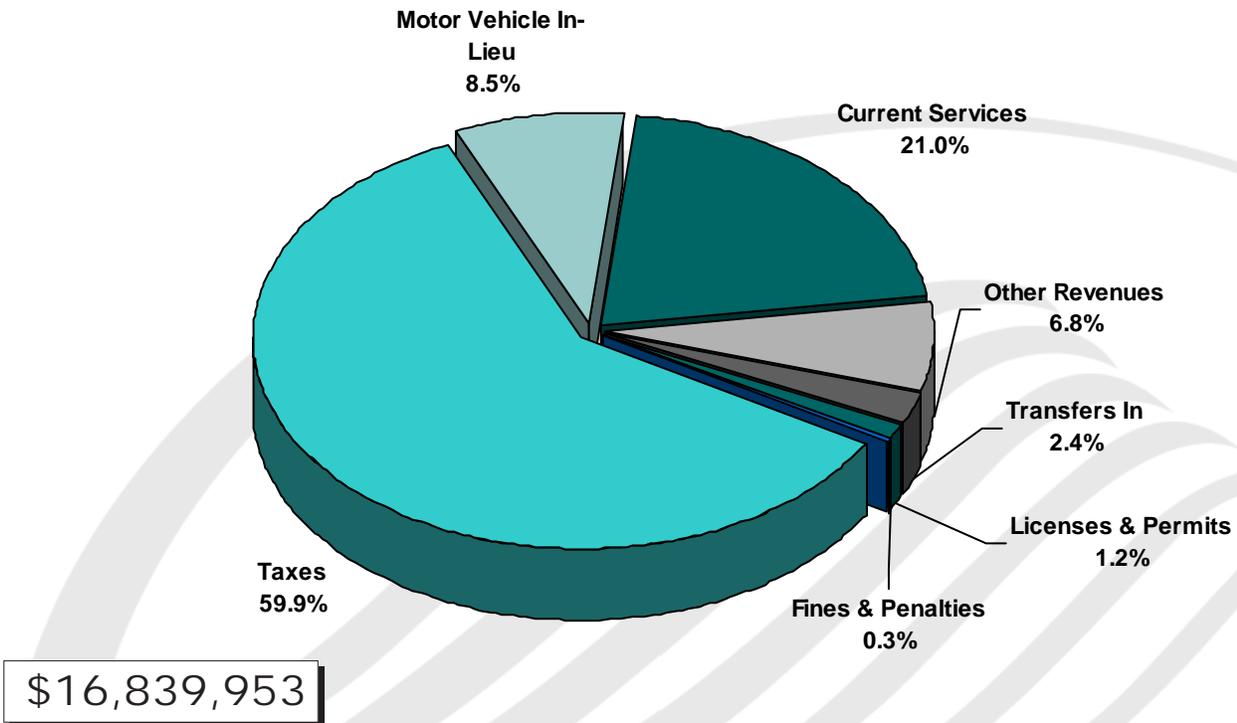
Fund Description	03/04 Fund Bal 07/01/03	03/04 Projected Revenue	03/04 Projected Transfer In	03/04 Projected Transfer Out	03/04 Projected Expenditure	03/04 Projected Bal 06/30/04
Enterprise Funds						
640 Sewer Operations	5,065,218	5,549,365	-	923,285	6,142,980	3,548,318
641 Sewer Impact	4,565,587	2,187,495	-	-	1,192,640	5,560,442
642 Sewer Rate Stabilization	3,804,228	59,363	-	-	2,369	3,861,222
643 Sewer Capital Projects	2,978,620	44,314	500,000	-	1,533,928	1,989,006
650 Water Operations	2,572,587	6,319,674	1,045,785	2,427,500	6,759,805	750,741
651 Water Impact	(114,883)	409,450	2,405,199	-	2,652,299	47,467
652 Water Rate Stabilization	867,428	8,686	-	850,000	551	25,563
653 Water Capital Projects	3,857,481	446,819	-	415,199	2,596,478	1,292,623
Subtotal	23,596,266	15,025,166	3,950,984	4,615,984	20,881,050	17,075,382
Internal Service Funds						
730 Information Systems	383,965	220,864	35,250	-	220,864	419,215
740 Building Maintenance	397,457	891,042	-	54,000	441,931	792,568
745 CIP Administration	41,159	1,372,283	-	-	1,372,283	41,159
760 Unemployment Insurance	47,278	29,452	-	-	30,000	46,730
770 Worker's Compensation	6,147	694,576	-	-	698,897	1,826
790 Equipment Replacement	2,825,938	248,663	-	-	43,758	3,030,843
795 General Liability Insurance	856,668	388,116	-	-	380,772	864,012
Subtotal	4,558,612	3,844,996	35,250	54,000	3,188,505	5,196,353
Agency Funds						
841 MH Business Ranch I AD	1,071,585	1,273,303	-	1,020,671	1,324,217	-
842 MH Business Ranch II AD	47,727	118,932	-	96,912	69,747	-
843 MH Business Ranch 98 AD	605,665	867,292	-	-	872,771	600,186
844 MH Ranch Reassessment 2004	-	453	1,117,583	-	589,424	528,612
845 Madrone Bus Park - Exempt	512,205	794,392	-	-	809,415	497,182
846 Madrone Bus Park - Taxable	102,475	166,770	-	-	172,288	96,957
848 Tennant Ave Business Park	360,919	66,725	-	-	-	427,644
881 Police Donation Trust	20,939	327	-	-	-	21,266
Subtotal	2,721,515	3,288,194	1,117,583	1,117,583	3,837,862	2,171,847
TOTAL - ALL FUNDS	96,208,944	73,843,641	9,169,736	9,169,736	103,693,311	66,359,274

Summary of Resources

FY 2004/05 Total Resources



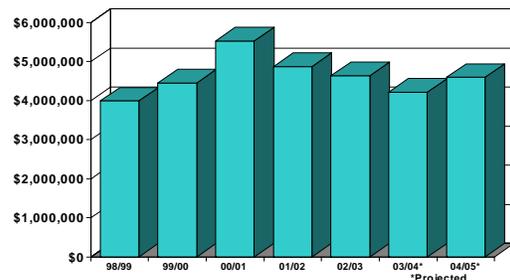
FY 2004/05 General Fund Revenues & Transfers In



Major Revenue Assumptions

FY 2004/05 revenues for the General Fund, including transfers in, are estimated to be \$16,839,953. This represents a 10% increase over FY 2003/04 year-end projected revenues. The double-digit increase is primarily related to the inclusion for the first time of a full year of Aquatics Center revenues. By excluding the \$1.1 million in revenue related to these causes, revenues would instead increase by 3.8%. In general, the 2004/05 Budget estimates reflect very modest growth for most General Fund revenues, as we expect that the economy will recover slowly beginning in the next fiscal year.

Sales Tax

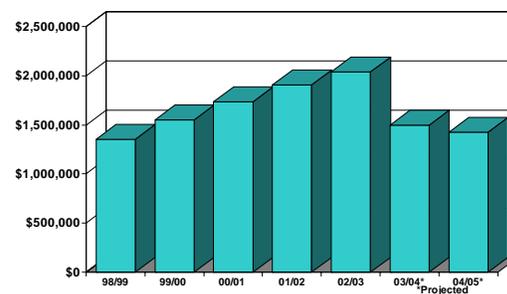


The sales tax is imposed on retailers for selling tangible personal property in California. The use tax is imposed on the user of a product purchased out-of-state and delivered for use in California. The sales and use tax rate for Santa Clara County is 8.25% and is broken down as follows:

- 5.00% State General Fund
- 1.00% City Local Tax
- .25% Countywide Transportation Tax
- .50% County Mental Health
- .50% Public Safety Augmentation Fund (Prop 172)
- 1.00% County Tax (1996 Measure B and 2000 Measure A)
- 8.25% Total Rate

The sales and use tax represents Morgan Hill's single largest revenue source at \$4,600,000 or 27% of total General Fund revenues projected for FY 04/05. Sales taxes declined by 9% in 2003/04 to a level of \$4.2 million, or 24% less than the peak of \$5.5 million in 2000/01. However, primarily due to new businesses and modest economic growth, we are forecasting growth of 9% in 2004/05.

Vehicle License Fee



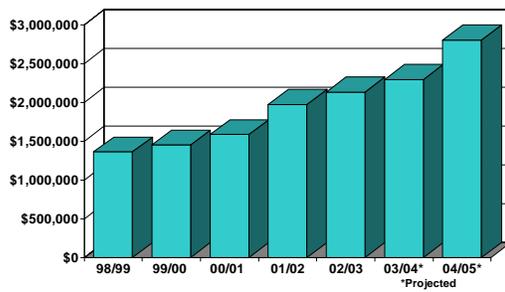
The motor vehicle license fee (VLF) is a fee charged for operating that vehicle on public streets. This fee is collected by the Department of Motor Vehicles and disbursed to other governmental agencies by the State Controller. VLF is based on a fee equivalent to 2% of the market value (based on an 11-year depreciation schedule) of motor vehicles, which is imposed annually by the State "in-lieu" of property tax. Cities and counties receive 81.25% of this revenue based on population.

Legislation was passed in 1998 reducing the VLF obligation for car owners by 25% in 2001 and another 35% in 2002. As a result of the reductions, cities and counties would have experienced a significant revenue loss. However, legislation was also passed to provide a backfill from the State as long as the actual State General Fund revenues come within certain targets. However, a \$600,000 drop in 2003/04 VLF receipts was caused by the State's elimination of the backfill for a period of 3 months.

Major Revenue Assumptions

The Adopted 2004/05 Budget projects an alternative \$357,000 drop in tax revenues associated with the current State proposal to shift \$733,466 in ongoing annual City Motor Vehicle-in-Lieu fee backfill revenue to City property tax revenue and then to reduce property taxes by \$357,000 in each of the next two fiscal years. VLF continue to represent the General Fund's third largest revenue source at \$1,423,800 for FY 04/05, or 8.5% of the City's total General Fund revenue.

Property Tax

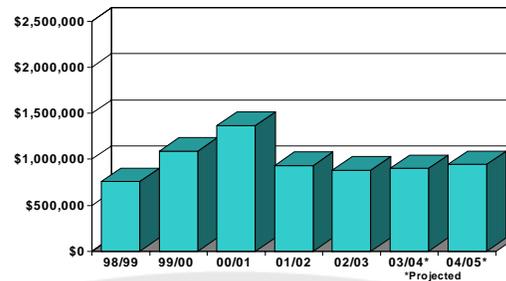


Property tax is imposed on real property (land and permanently attached improvements such as buildings) and tangible personal property (movable property) located within the State, based on the property value rather than on a fixed amount or benefit. Properties are distinguished as secured and unsecured (property for which the value of the lien is not sufficient to assure payment of the tax). Article XIII A of the State Constitution limits the real property tax rate to 1% of the property's assessed value plus rates imposed to fund indebtedness approved by the voters. Morgan Hill's share of the 1% is equivalent to 15 cents for every \$1.00 collected from property taxes. With the passage of Prop 13 in 1978, assessed valuations are limited to a 2% increase each year.

Despite the slow economy, property values have continued to rise resulting in property tax growth. Due to historic low mortgage interest rates, sales of new homes or property turnover

(which trigger reassessments) have remained strong this past year. Property tax represents the General Fund's second largest revenue source projected at \$2,196,496 or 17% of the total General Fund revenue for FY 04/05. Assessment Roll Growth increased in FY 03/04 by 8.5% compared to FY 02/03. The median home price in Morgan Hill increased by 4% in calendar 2003. Included in the total projected property tax revenue are the supplemental taxes and homeowners' tax exemption revenues (every homeowner is allowed \$7,000 of assessed value exempt from property tax). The homeowners' exemption is made up by State subvention. In addition, a property transfer tax based on 55 cents for every \$500 of market value is collected by Santa Clara County at the time of the property transfer. Total property transfer tax collections are evenly split between the City and County.

TOT



The transient occupancy tax (TOT) is imposed on persons staying 30 days or less in a hotel, inn, motel, tourist home or other lodging facility. The City's current rate is 10.0%. TOT revenue is projected at \$945,000 for FY 04/05, which represents 6% of the total General Fund revenue. When the economy started to decline in early 2001, business travel and tourism also declined. The downward trend was exacerbated by the 9-11 event. Current year's trend indicates TOT revenue is still lagging behind FY 00/01 collections by 34%. Growth of 5% is projected in TOT revenue for the coming year.

Revenues & Transfers In (continued)

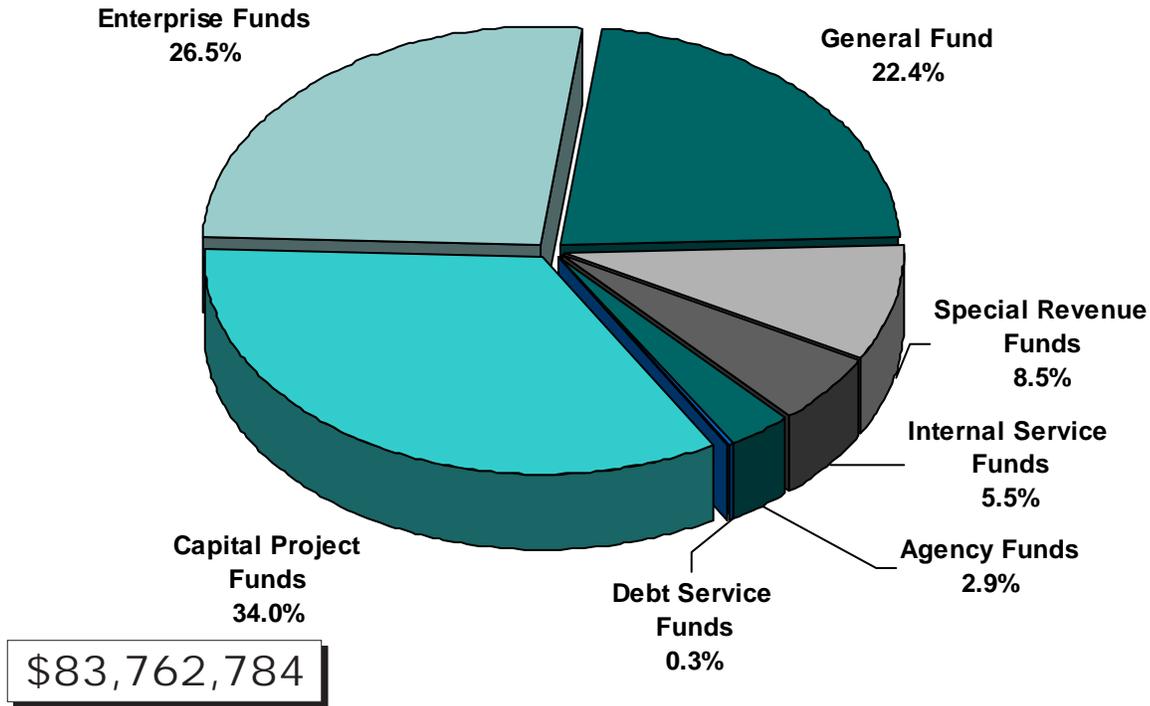
City of Morgan Hill Summary of Revenues & Transfers In		FY 01/02	FY 02/03	FY 03/04	FY 03/04	FY 04/05
		Actual	Actual	Current Budget	Projected Year-End	Projected Budget
Special Revenue Funds						
	Gas Tax 2105-2107/Prop.111/FAU	666,436	660,202	653,400	673,286	674,000
	Measure A & B Sales Tax	-	-	-	-	-
	TEA 21	-	-	-	-	-
	Transfers-In - General	270,000	377,000	-	-	-
	Transfers-In - Sewer	160,000	200,000	200,000	200,000	200,000
	Transfers-In - Water	350,000	400,000	400,000	400,000	400,000
	Transfers-In - Other Funds	-	-	125,000	125,000	100,000
	Interest Income	86,036	49,852	12,361	20,735	29,635
	Other Revenue	533,490	240,738	2,500	464,617	0
202	Street Maintenance	2,065,962	1,927,792	1,393,261	1,883,638	1,403,635
	Interest Income	35,320	21,141	9,956	8,642	6,103
	Police Grants	212,175	138,639	100,000	100,000	100,000
	Transfers In - General Fund	-	-	834	-	-
204(5)	Public Safety Trust	247,495	159,780	110,790	108,642	106,103
	Planning	270,727	482,046	616,496	468,883	791,621
	Building	977,494	1,452,407	1,100,500	1,619,300	1,403,000
	Eng/Plan Checking & Inspection	545,382	547,535	470,000	470,000	470,000
	Other Revenue	194,330	123,365	59,363	102,928	72,688
	Transfers in - GF/RDA/Housing	150,703	-	55,486	55,486	-
206	Community Development	2,138,636	2,605,352	2,301,845	2,716,597	2,737,309
	Interest Income	4,621	5,470	1,387	3,282	2,904
	Other Charges Current Services	31,244	52,284	74,700	75,000	77,250
	Transfers In	-	66,582	-	-	-
207	General Plan Update	35,865	124,336	76,087	78,282	80,154
210	Community Centers	229,182	125,861	6,198	3,840	52,119
215	HCD	109,883	84,833	152,000	299,264	166,440
216	HCD Rehab	4,615	20,084	4,682	8,263	9,648
220	Museum	177	85	41	10	-
225	Asset Seizure	26,434	1,529	583	8,595	1,020
226	OES/FEMA	8,749	-	-	-	-
229	Light & Landscape	111,687	133,285	127,770	130,260	130,766
230	Govt Public Access	-	-	-	-	-
232	Environmental Programs	409,640	417,555	387,209	396,756	399,491
234	MHP Rent Stabilization	62,642	18,033	306,298	350,000	5,148
235	Mobile Home Park Rent	29,751	19,487	6,897	3,966	5,501
236	Senior Housing Trust	1,028,510	35,297	27,775	31,366	12,031
240	Employee Assistance	-	55,483	20,162	90,811	29,059
Total Special Revenue Funds		6,509,227	5,728,792	4,921,598	6,110,290	5,138,424

Revenues & Transfers In (continued)

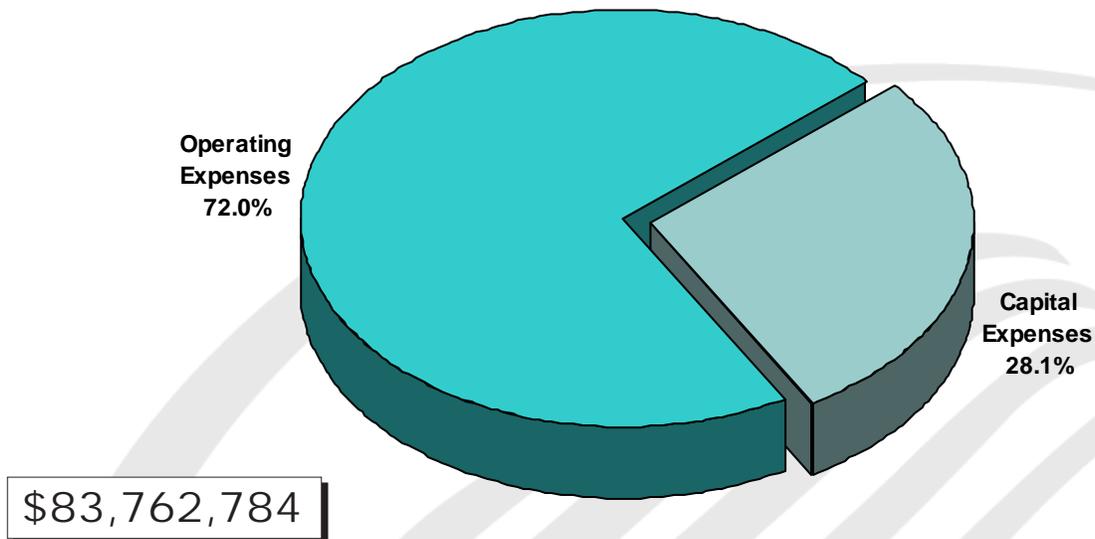
City of Morgan Hill Summary of Revenues & Transfers In		FY 01/02	FY 02/03	FY 03/04	FY 03/04	FY 04/05
		Actual	Actual	Current Budget	Projected Year-End	Projected Budget
Enterprise Funds						
	Sewer Service Fees	-	-	-	-	-
	Front Footage/Offsite	-	4,434	2,000	1,000	1,000
	Interest Income	326,507	197,028	51,960	93,933	59,437
	Other Sewer/Transfers	5,551,378	5,228,106	5,433,410	5,454,432	5,568,500
640	Sewer Operations	5,877,885	5,429,568	5,487,370	5,549,365	5,628,937
	Interest Income	224,178	182,445	26,580	86,695	94,826
	Connection Fees	1,532,237	752,553	600,000	2,100,000	1,100,000
	Other Revenue	792	792	-	800	-
641	Sewer Impact	1,757,207	935,790	626,580	2,187,495	1,194,826
	Reimbursement of Expenses	312,609	214,042	-	-	-
	Interest Income	121,986	122,890	89,558	59,363	84,161
642	Sewer Rate Stabilization	434,595	336,933	89,558	59,363	84,161
	Interest Income	135,327	112,846	25,416	44,314	36,527
	Transfers	500,000	500,000	500,000	500,000	-
643	Sewer Capital Projects	635,327	612,846	525,416	544,314	36,527
	Combined Sewer Funds	8,705,014	7,315,136	6,728,924	8,340,537	6,944,451
	Water Sales	5,615,035	5,695,637	5,738,350	5,752,594	5,821,375
	Meter Install & Service	-	2,708	1,800	540	1,000
	Transfers-In	175,543	173,877	1,045,785	1,045,785	2,500,000
	Interest Income	227,196	145,119	12,084	69,176	31,536
	Other Water	329,869	486,649	275,700	497,364	304,000
650	Water Operations	6,347,644	6,503,990	7,073,719	7,365,459	8,657,911
	Water Connection Fees	204,296	159,542	160,000	400,000	200,000
	Interest Income	39,083	15,206	1,803	950	-
	Other Revenue	-	463,324	500,000	2,413,699	5,000,000
651	Water Impact	243,378	638,071	661,803	2,814,649	5,200,000
	Interest Income	30,943	28,949	20,517	8,686	445
652	Water Rate Stabilization	30,943	28,949	20,517	8,686	445
	Interest Income	92,688	129,129	402,395	59,795	16,646
	Transfers In - Water Operations	2,350,000	1,200,000	-	-	-
	Other Water Capital Projects	-	-	-	387,024	1,000,000
653	Water Capital Projects	2,442,688	1,329,129	402,395	446,819	1,016,646
	Combined Water Funds	9,064,653	8,500,139	8,158,434	10,635,613	14,875,002
Total Enterprise Funds		17,769,667	15,815,275	14,887,358	18,976,150	21,819,453

Expenditures

FY 2004/05 Total Expenditures



Operating vs. Capital Expenditures

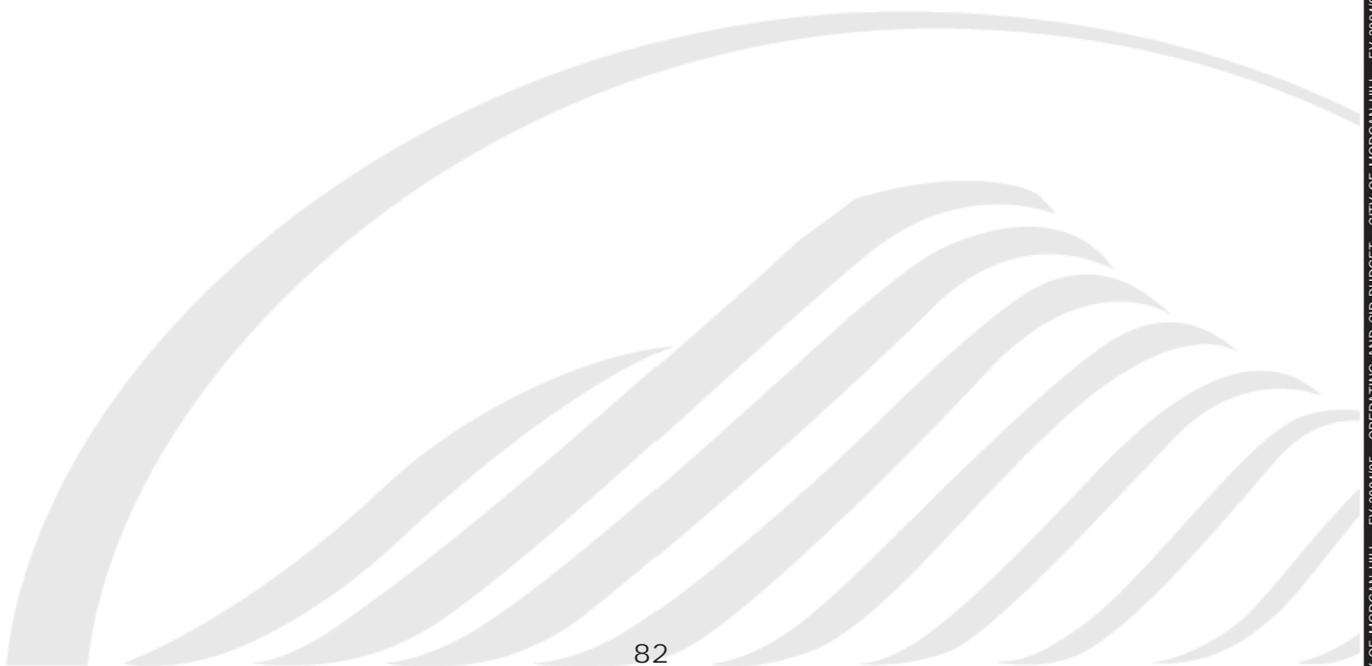


Cost Allocation

Charges To Departments	General Fund Administrator	Liability Insurance	Building Maintenance	Information Systems	Vehicle Replacement	TOTAL
640-5900 Sewer Operations	204,446	128,310	18,780	4,589	-	356,125
641-8140 Sewer Impact	3,745	-	-	-	-	3,745
642-8145 Sewer Rate Stabilization	2,117	-	-	-	-	2,117
643-8170 Sewer Capital Projects	2,539	-	-	-	-	2,539
650-5710 Water Operations	226,085	27,622	29,878	4,589	90,364	378,538
650-5720 Meter Reading	36,791	6,594	7,762	3,059	4,916	59,122
650-5750 Utility Billing	27,881	1,643	12,442	6,118	-	48,084
650-5760 Water Conservation	1,026	192	-	-	-	1,218
651-8110 Water Impact	226	-	-	-	-	226
652-8125 Water Rate Stabilization	493	-	-	-	-	493
653-8120 Water Capital Projects	923	-	-	-	-	923
730-2520 Information Systems	-	213	2,007	-	-	2,220
740-2115 Building Maint. - CCC	-	5,100	-	1,530	-	6,630
740-2120 Building Maint. - Aqtcs	-	1,154	-	-	-	1,154
740-5150 Building Maintenance	-	6,577	-	-	-	6,577
745-8280 CIP Administration	124,693	22,373	-	-	-	147,066
790-8500 Equipment Replacement	1,573	-	-	-	-	1,573
841-8305 MH Business Ranch I AD	-	-	-	-	-	-
842-8310 MH Business Ranch II AD	-	-	-	-	-	-
843-8357 MH Business Ranch 1998 AD	7,859	-	-	-	-	7,859
844-8358 MH Ranch Reassessment 200	7,859	-	-	-	-	7,859
845-8361 Madrone Bus Park	7,859	-	-	-	-	7,859
846-8362 Madrone Bus Park	7,859	-	-	-	-	7,859
TOTAL	1,793,851	427,700	1,652,610	230,970	305,053	4,410,184

Cost allocation charges account for the financing of goods or services provided by one department to other departments within the City and Redevelopment Agency on a cost reimbursement basis. Internal service funds accumulate costs related to the

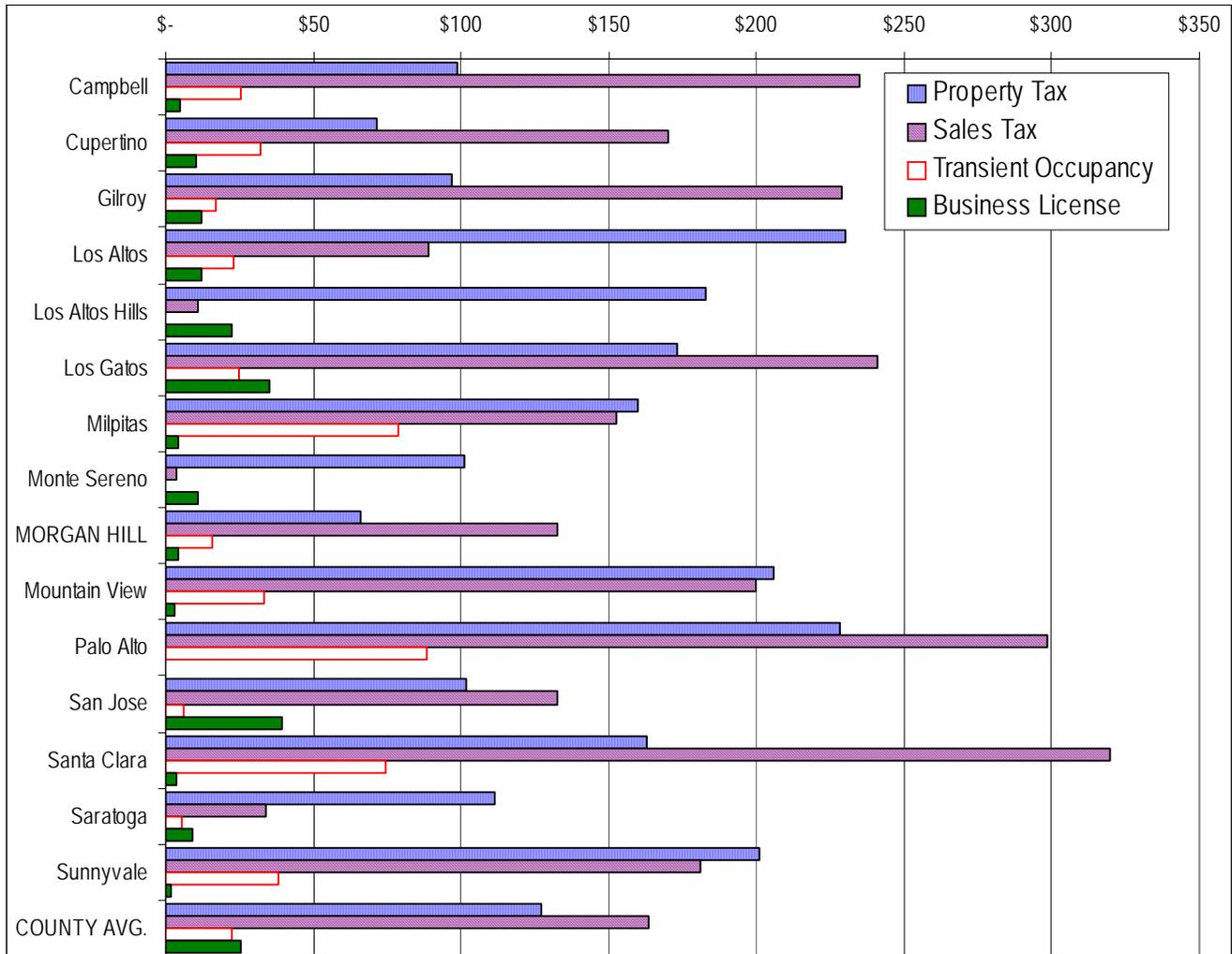
services provided, and then the costs are allocated to the department receiving the goods and/or services based on the quantity of service received. The cost allocation schedule above reflects the charges to departments.



Comparison of Municipalities (6/30/03)

City of Morgan Hill, California

Property Tax per Capita, Sales Tax per Capita, Transient Occupancy Tax per Capita, and Business License Tax Per Capita - Santa Clara County Cities - 2002/03

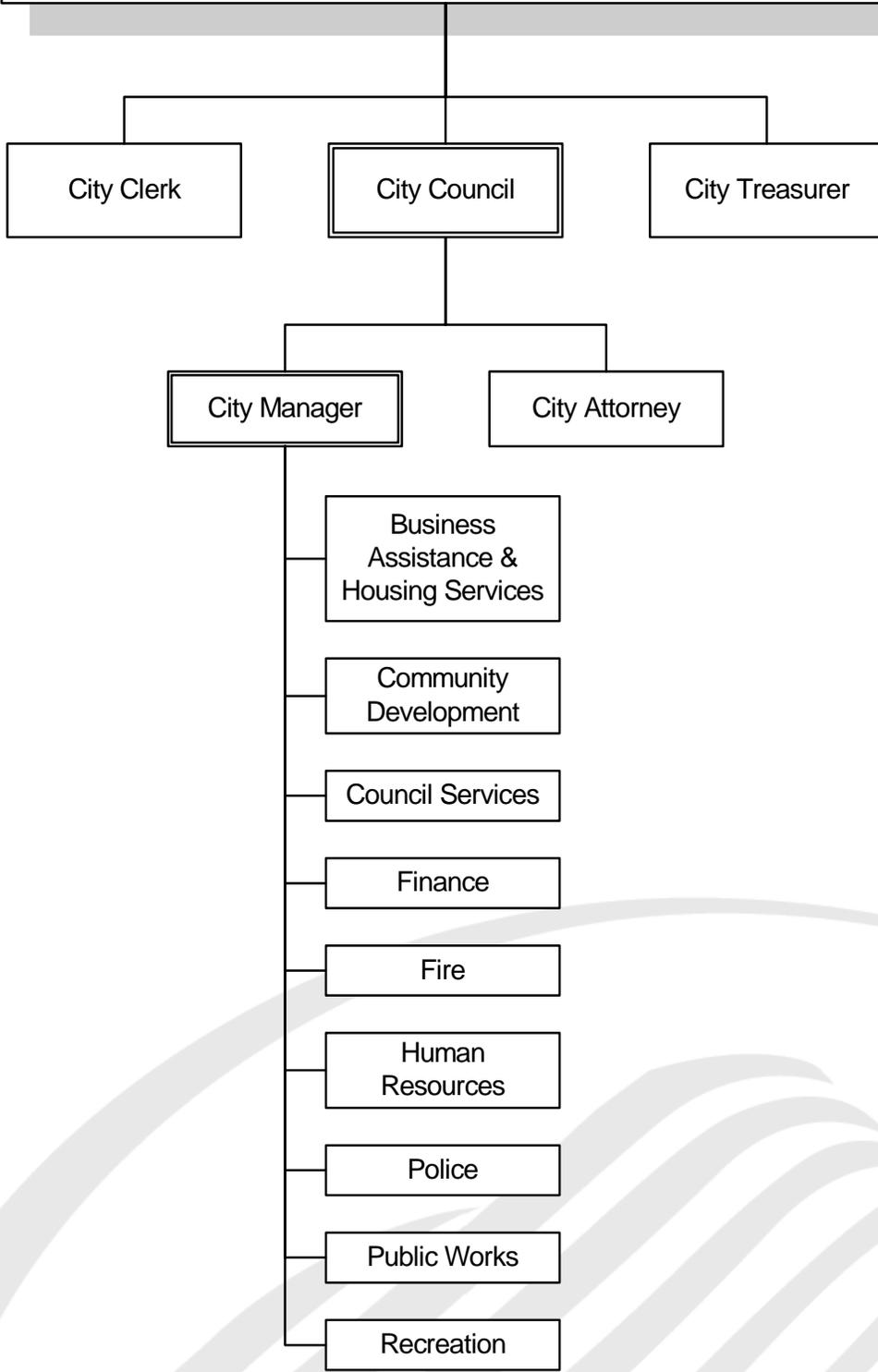


	Population	Property Tax		Sales Tax		Transient Occupancy		Business License	
		Amount	Per Capita	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita
Campbell	38,300	\$ 3,770,090	\$ 98	\$ 8,997,381	\$ 235	\$ 970,000	\$ 25	\$ 195,549	\$ 5
Cupertino	52,000	3,704,671	71	8,843,792	170	1,679,225	32	522,048	10
Gilroy	44,975	4,367,743	97	10,283,131	229	768,066	17	540,145	12
Los Altos	27,722	6,379,459	230	2,463,693	89	633,861	23	340,969	12
Los Altos Hills	8,300	1,519,938	183	89,104	11	-	-	184,158	22
Los Gatos	28,739	4,977,119	173	6,928,817	241	713,064	25	1,003,014	35
Milpitas	62,698	10,008,699	160	9,568,227	153	4,953,379	79	274,168	4
Monte Sereno	3,700	373,952	101	14,486	4	-	-	40,700	11
MORGAN HILL	34,918	2,315,104	\$ 66	4,636,927	\$ 133	554,049	16	150,636	4
Mountain View	71,610	14,733,400	206	14,327,600	200	2,367,400	33	211,200	3
Palo Alto	60,465	13,821,000	229	18,041,000	298	5,333,000	88	-	-
San Jose	925,000	93,958,366	102	122,756,988	133	5,800,000	6	36,642,153	40
Santa Clara	105,831	17,228,401	163	33,814,782	320	7,889,562	75	363,623	3
Saratoga	30,482	3,400,228	112	1,028,329	34	160,639	5	284,037	9
Sunnyvale	132,500	26,631,929	201	24,029,237	181	5,094,489	38	269,263	2
COUNTY AVG.	108,483	\$ 13,812,673	\$ 127	\$ 17,721,566	\$ 163	\$ 2,461,116	\$ 23	\$ 2,734,778	\$ 25

Source: Cities in Santa Clara County



CITIZENS OF MORGAN HILL

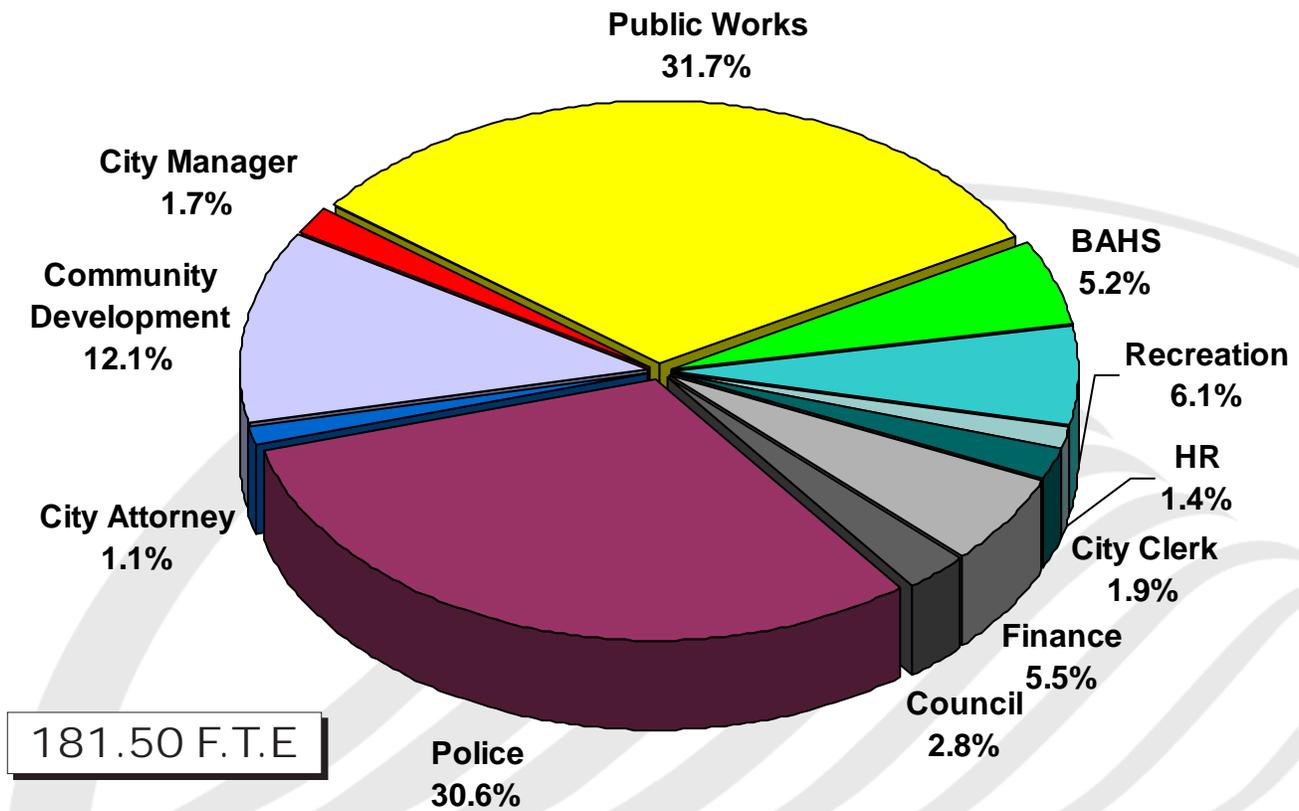


Staffing Summary by Departments

	FY 03/04 Current	FY 04/05 Proposed	Variance
Council	5.00	5.00	-
City Attorney	3.00	2.00	<1.00>
City Manager	4.50	3.00	<1.50>
Recreation	11.25	11.00	<0.25>
HR	4.00	2.50	<1.50>
City Clerk	5.00	3.50	<1.50>
Finance	10.50	10.00	<0.50>
Police	58.00	55.50	<2.50>
Community Development	21.50	22.00	0.50
Public Works	58.00	57.50	<0.50>
BAHS	9.50	9.50	-
TOTAL	190.25	181.50	<8.75>

Note: In FY 2004/05, almost all General Fund departments/divisions propose a reduction in staff. Positions eliminated include Deputy City Attorney, Assistant to the City Manager, Office Assistants, Police Records Specialists and Cadets, and Groundskeepers. For more details on these reduction, please read the City Manager's transmittal message or review the following schedules of positions.

FY 2004/05 Staffing Chart by Departments



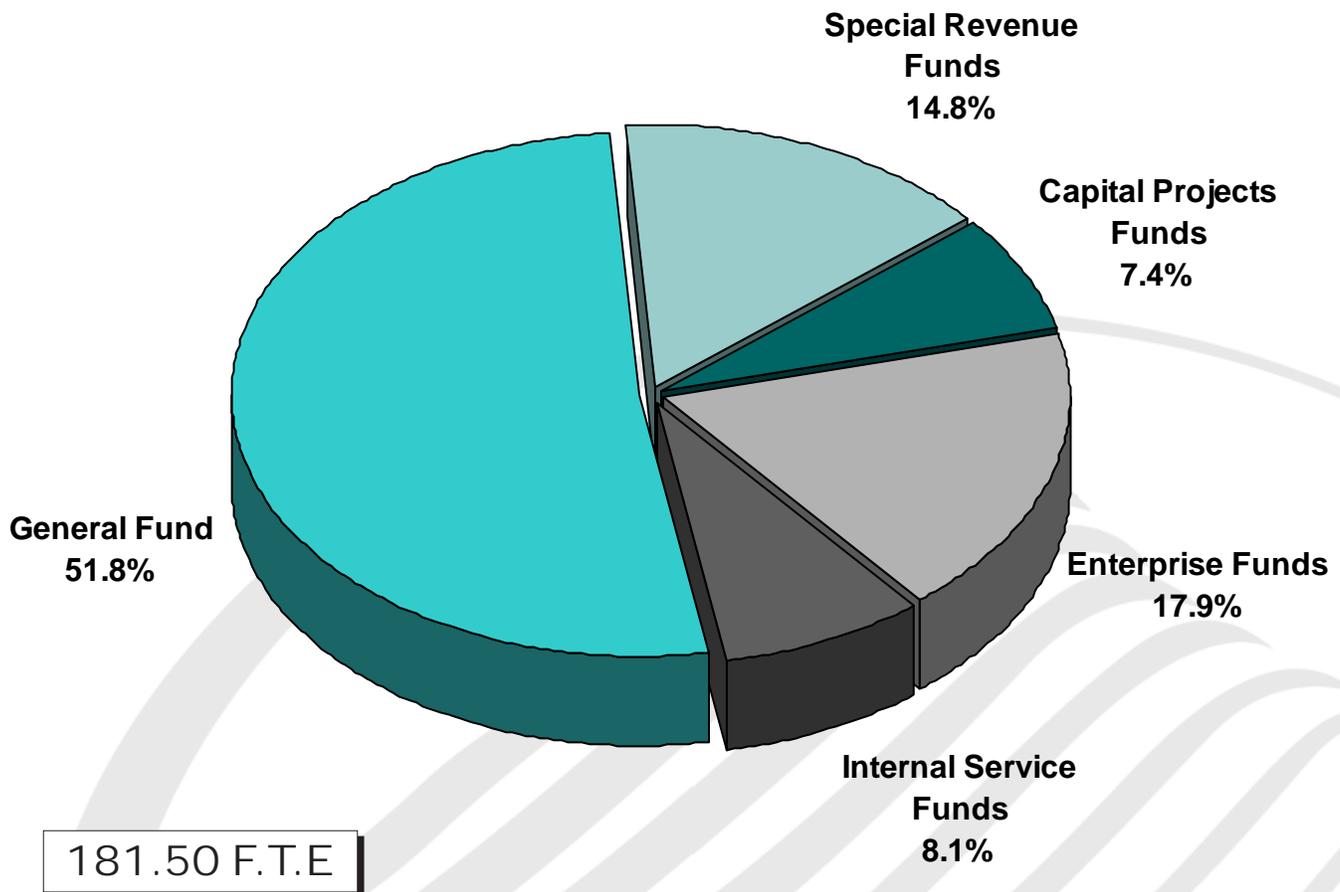
Staffing Detail by Departments

<u>Job Classification</u>	<u>00/01 Actual</u>	<u>01/02 Actual</u>	<u>02/03 Actual</u>	<u>03/04 Current</u>	<u>04/05 Proposed</u>
Mayor & Council Members	5.000	5.000	5.000	5.000	5.000
City Council	5.000	5.000	5.000	5.000	5.000
City Attorney	1.000	1.000	1.000	1.000	1.000
Deputy City Attorney	1.000	1.000	1.000	1.000	-
Secretary to the City Attorney	1.000	1.000	1.000	1.000	1.000
City Attorney's Office	3.000	3.000	3.000	3.000	2.000
Administrative Analyst	-	-	-	-	-
Assistant to the City Manager	2.000	2.000	2.000	2.000	1.000
City Manager	1.000	1.000	1.000	1.000	1.000
Municipal Services Assistant	-	-	0.500	0.500	-
Office Assistant I/II	0.150	0.150	-	-	-
Secretary to the City Manager	1.000	1.000	1.000	1.000	1.000
City Manager's Office	4.150	4.150	4.500	4.500	3.000
Administrative Analyst	-	-	-	0.500	0.750
Facilities Maintenance Specialist	-	-	-	1.000	1.000
Leisure Services Coordinator	-	1.000	-	-	-
Management Analyst	-	1.000	1.000	1.000	0.500
Municipal Services Assistant	-	-	1.000	1.000	1.000
Office Assistant I/II	0.750	1.250	1.250	2.250	2.000
Recreation & Community Svs Manager	1.000	1.000	1.000	1.000	1.000
Recreation Coordinator	-	-	-	1.000	2.750
Recreation Leader	-	-	0.500	0.500	-
Recreation Supervisor	1.000	1.000	2.000	3.000	2.000
Recreation	2.750	5.250	6.750	11.250	11.000
Administrative Analyst	1.500	1.500	1.500	1.000	1.000
Human Resources Assistant	0.500	1.000	1.000	1.000	0.500
Human Resources Director	1.000	1.000	1.000	1.000	1.000
Human Resources Manager	-	-	-	-	-
Human Resources Supervisor	-	-	1.000	1.000	-
Senior Analyst	1.000	1.000	-	-	-
Human Resources	4.000	4.500	4.500	4.000	2.500
City Clerk/CSRM	1.000	1.000	1.000	1.000	1.000
Municipal Services Assistant	1.000	2.000	1.000	1.000	1.000
Office Assistant I/II	2.000	2.000	3.000	3.000	1.500
City Clerk	4.000	5.000	5.000	5.000	3.500
Accountant I	2.000	2.000	2.000	2.000	2.000
Accounting Assistant I/II	4.500	4.500	4.500	4.500	4.000
Accounting Technician	1.000	1.000	1.000	1.000	1.000
Assistant Director of Finance	1.000	1.000	1.000	1.000	1.000
Budget Manager	1.000	1.000	1.000	1.000	1.000
Finance Director	1.000	1.000	1.000	1.000	1.000
Finance Department	10.500	10.500	10.500	10.500	10.000

Staffing Summary by Fund Type

Job Classification	00/01 Actual	01/02 Actual	02/03 Actual	03/04 Current	04/05 Proposed
General Fund	91.670	96.670	102.863	105.940	93.950
Special Revenue Funds	26.670	28.670	27.270	26.445	26.930
Capital Projects Funds	9.450	11.600	13.020	13.270	13.410
Enterprise Funds	29.910	32.360	31.998	32.235	32.425
Internal Service Funds	8.450	9.450	11.100	12.360	14.785
All Funds	166.150	178.750	186.250	190.250	181.500

FY 2004/05 Staffing Chart by Fund Type



Staffing Summary by Programs

Dept	Job Classification	00/01 Actual	01/02 Actual	02/03 Actual	03/04 Current	04/05 Proposed
010-1100	City Council	5.250	6.000	6.000	6.000	5.500
010-1220	Community Promotions	0.060	0.060	0.100	0.100	0.100
010-1500	City Attorney	3.000	3.000	3.000	3.000	1.860
010-2100	City Manager	2.340	2.340	2.220	2.210	1.750
010-2110	Recreation	2.750	5.250	2.968	1.700	1.600
010-2115	Community & Cultural Center	-	-	3.783	5.050	4.898
010-2120	Aquatics Center	-	-	-	4.000	4.000
010-2200	Human Resources	3.750	4.250	4.250	4.000	2.500
010-2210	Volunteer Program	0.500	0.500	0.250	0.500	0.503
010-2410	Council Svs & Records Mgmt	3.250	3.500	3.400	3.500	2.500
010-2420	Elections	0.500	0.500	0.500	0.400	0.400
010-2510	Finance	7.500	7.500	7.753	7.300	6.925
010-3205	PD Administration	2.940	3.940	5.000	4.000	4.000
010-3210	PD Patrol	24.000	24.000	27.000	26.000	26.940
010-3225	PD Support Services	10.800	10.800	6.500	6.500	5.000
010-3230	PD Emergency Services	0.500	0.500	0.940	0.940	0.450
010-3245	PD Special Operations	9.500	9.500	8.000	10.000	8.000
010-5140	Cable TV	0.100	0.100	0.100	0.125	0.130
010-5145	Communications & Marketing	-	-	0.300	0.305	0.250
010-5150	Building Maintenance (CCC)	-	-	2.710	2.210	-
010-5440	Park Maintenance Operations	7.730	7.730	7.590	7.600	5.595
010-5450	Animal Control	1.000	1.000	1.000	1.000	1.000
010-8270	PD Dispatch Services	6.200	6.200	9.500	9.500	10.050
202-6100	Street Maintenance Operations	6.070	7.070	7.120	7.010	7.010
202-6110	Congestion Management	0.300	0.300	0.500	0.500	0.450
206-5120	Planning	6.760	7.310	7.070	6.410	6.790
206-5130	Building Division	6.850	7.050	6.790	6.540	6.590
206-5410	Engineering	5.570	5.670	4.570	4.305	4.780
207-5170	General Plan Update	0.100	0.300	0.060	0.520	0.150
229-8351	Lighting & Landscape	0.170	0.170	0.180	0.200	0.200
232-5800	Solid Waste Management	0.850	0.800	0.980	0.960	0.960
317-7000	BAHS Administration	3.550	4.800	6.420	6.620	6.640
327-7100	BAHS Housing Assistance	5.900	6.800	6.600	6.650	6.770
640-5900	Sewer Operations	11.200	12.600	12.510	12.300	12.235
650-5710	Water Operations	12.210	13.210	13.550	13.460	13.525
650-5720	Meter Reading & Repair	3.500	3.500	3.140	3.225	3.230
650-5750	Utility Billing	3.000	3.000	2.748	3.200	3.075
650-5760	Water Conservation	-	0.050	0.050	0.050	0.360
730-2520	Information Systems	-	-	-	-	0.200
740-2115	Building Maintenance (CCC)	-	-	-	-	2.710
740-2120	Building Maintenance (Aquatics)	-	-	-	-	0.500
740-5150	Building Maintenance	1.900	1.900	2.150	2.850	2.350
745-8280	CIP Administration	6.550	7.550	8.950	9.510	9.025
Citywide		166.150	178.750	186.250	190.250	181.500

Staffing Detail by Programs

Dept	Job Classification	00/01 Actual	01/02 Actual	02/03 Actual	03/04 Current	04/05 Proposed
010-1100	City Clerk/CSRM	-	-	-	0.250	0.250
010-1100	Mayor & Council Members	5.000	5.000	5.000	5.000	5.000
010-1100	Municipal Services Assistant	-	1.000	-	-	-
010-1100	Office Assistant I/II	0.250	-	1.000	0.750	0.250
010-1100	City Council	5.250	6.000	6.000	6.000	5.500
010-1220	Assistant to the City Manager	0.060	0.060	-	-	-
010-1220	City Clerk/CSRM	-	-	0.100	0.100	0.100
010-1220	Community Promotions	0.060	0.060	0.100	0.100	0.100
010-1500	City Attorney	1.000	1.000	1.000	1.000	0.860
010-1500	Deputy City Attorney	1.000	1.000	1.000	1.000	-
010-1500	Secretary to the City Attorney	1.000	1.000	1.000	1.000	1.000
010-1500	City Attorney	3.000	3.000	3.000	3.000	1.860
010-2100	Administrative Analyst	-	-	-	-	-
010-2100	Assistant to the City Manager	1.190	1.190	1.200	1.200	0.750
010-2100	City Manager	0.500	0.500	0.500	0.500	0.500
010-2100	Municipal Services Assistant	-	-	0.020	0.010	-
010-2100	Office Assistant I/II	0.150	0.150	-	-	-
010-2100	Secretary to the City Manager	0.500	0.500	0.500	0.500	0.500
010-2100	City Manager	2.340	2.340	2.220	2.210	1.750
010-2110	Leisure Services Coordinator	-	1.000	-	-	-
010-2110	Management Analyst	-	1.000	0.830	0.300	0.500
010-2110	Municipal Services Assistant	-	-	0.100	0.100	0.100
010-2110	Office Assistant I/II	0.750	1.250	0.698	0.300	-
010-2110	Recreation & Community Svs Manager	1.000	1.000	0.590	0.250	1.000
010-2110	Recreation Leader	-	-	0.500	0.500	-
010-2110	Recreation Supervisor	1.000	1.000	0.250	0.250	-
010-2110	Recreation	2.750	5.250	2.968	1.700	1.600
010-2115	Administrative Analyst	-	-	-	-	0.248
010-2115	Management Analyst	-	-	0.170	0.700	-
010-2115	Municipal Services Assistant	-	-	0.900	0.900	0.900
010-2115	Office Assistant I/II	-	-	0.553	0.950	1.000
010-2115	Recreation & Community Svs Manager	-	-	0.410	0.750	-
010-2115	Recreation Coordinator	-	-	-	-	1.750
010-2115	Recreation Supervisor	-	-	1.750	1.750	1.000
010-2115	Community & Cultural Center	-	-	3.783	5.050	4.898
010-2120	Recreation Supervisor	-	-	-	1.000	1.000
010-2120	Facilities Maintenance Specialist	-	-	-	1.000	1.000
010-2120	Recreation Coordinator	-	-	-	1.000	1.000
010-2120	Office Assistant I/II	-	-	-	1.000	1.000
010-2120	Aquatics Center	-	-	-	4.000	4.000

Staffing Detail by Programs (continued)

Dept	Job Classification	00/01 Actual	01/02 Actual	02/03 Actual	03/04 Current	04/05 Proposed
010-2200	Administrative Analyst	1.000	1.000	1.250	1.000	1.000
010-2200	Assistant to the City Manager	0.250	0.250	-	-	-
010-2200	Human Resources Assistant	0.500	1.000	1.000	1.000	0.500
010-2200	Human Resources Director	1.000	1.000	1.000	1.000	1.000
010-2200	Human Resources Supervisor	-	-	1.000	1.000	-
010-2200	Senior Analyst	1.000	1.000	-	-	-
010-2200	Human Resources	3.750	4.250	4.250	4.000	2.500
010-2210	Administrative Analyst	0.500	0.500	0.250	0.500	0.503
010-2210	Volunteer Coordinator	-	-	-	-	-
010-2210	Volunteer Program	0.500	0.500	0.250	0.500	0.503
010-2410	City Clerk/CSRM	0.750	0.750	0.650	0.450	0.450
010-2410	Municipal Services Assistant	0.750	0.750	0.750	0.800	0.800
010-2410	Office Assistant I/II	1.750	2.000	2.000	2.250	1.250
010-2410	Council Svs & Records Mgmt	3.250	3.500	3.400	3.500	2.500
010-2420	City Clerk/CSRM	0.250	0.250	0.250	0.200	0.200
010-2420	Municipal Services Assistant	0.250	0.250	0.250	0.200	0.200
010-2420	Elections	0.500	0.500	0.500	0.400	0.400
010-2510	Accountant I	2.000	2.000	2.000	2.000	2.000
010-2510	Accounting Assistant I/II	2.000	2.000	2.253	2.000	1.625
010-2510	Accounting Technician	1.000	1.000	1.000	1.000	1.000
010-2510	Assistant Director of Finance	0.700	0.700	0.700	0.700	0.700
010-2510	Budget Manager	1.000	1.000	1.000	0.800	0.800
010-2510	Finance Director	0.800	0.800	0.800	0.800	0.800
010-2510	Finance	7.500	7.500	7.753	7.300	6.925
010-3205	Administrative Secretary	1.000	1.000	1.000	1.000	1.000
010-3205	Management Analyst	-	1.000	1.000	1.000	1.000
010-3205	Police Captain	0.940	0.940	1.000	-	-
010-3205	Police Chief	1.000	1.000	1.000	1.000	1.000
010-3205	Police Support Services Supervisor	-	-	1.000	1.000	1.000
010-3205	PD Administration	2.940	3.940	5.000	4.000	4.000
010-3210	Community Service Officer	2.000	2.000	2.000	2.000	2.000
010-3210	Police Corporal	4.000	4.000	4.000	4.000	4.000
010-3210	Police Lieutenant	-	-	1.000	1.000	0.940
010-3210	Police Officer	14.000	14.000	16.000	15.000	16.000
010-3210	Police Sergeant	4.000	4.000	4.000	4.000	4.000
010-3210	Public Safety Dispatcher	-	-	-	-	-
010-3210	PD Patrol	24.000	24.000	27.000	26.000	26.940
010-3225	Public Safety Dispatcher	3.200	3.200	3.000	2.500	-
010-3225	Cadets	1.500	1.500	1.500	1.500	0.500
010-3225	Police Records Specialist	5.400	5.400	2.000	2.500	4.500
010-3225	Police Support Service Supervisor	0.700	0.700	-	-	-
010-3225	PD Support Services	10.800	10.800	6.500	6.500	5.000

Staffing Detail by Programs (continued)

Dept	Job Classification	00/01 Actual	01/02 Actual	02/03 Actual	03/04 Current	04/05 Proposed
010-8270	Lead Public Safety Dispatcher	1.000	1.000	1.000	1.000	1.000
010-8270	Police Records Specialist	0.600	0.600	1.500	2.500	-
010-8270	Police Support Service Supervisor	0.300	0.300	-	-	-
010-8270	Public Safety Dispatcher	4.300	4.300	7.000	6.000	9.050
010-8270	PD Dispatch Services	6.200	6.200	9.500	9.500	10.050
202-6100	Administrative Secretary	0.100	0.100	0.130	0.100	0.100
202-6100	Assistant Engineer	0.080	0.080	0.050	0.030	0.030
202-6100	Deputy Public Works Director	0.160	0.160	0.180	0.190	0.190
202-6100	Electrician	0.100	0.100	0.100	0.100	0.100
202-6100	Engineering Aide I/II	0.100	0.100	0.100	0.100	0.100
202-6100	Maintenance Supervisor	0.780	0.780	0.700	0.700	0.700
202-6100	Maintenance Worker I/II	4.000	4.000	4.000	4.000	4.000
202-6100	Management Analyst	0.400	0.400	0.400	0.350	0.320
202-6100	Municipal Services Assistant	0.100	0.100	0.290	0.155	0.180
202-6100	Office Assistant I/II	0.160	0.160	0.080	0.200	0.100
202-6100	Public Works Director	0.090	0.090	0.090	0.085	0.090
202-6100	Public Works Inspector	-	-	-	-	0.100
202-6100	Senior Maintenance Worker	-	1.000	1.000	1.000	1.000
202-6100	Street Maintenance Operations	6.070	7.070	7.120	7.010	7.010
202-6110	Administrative Secretary	0.050	0.050	0.050	0.050	0.050
202-6110	Community Development Director	-	-	-	-	-
202-6110	Planning Manager	0.200	0.200	0.250	0.250	0.250
202-6110	Senior Planner	0.050	0.050	0.200	0.200	0.150
202-6110	Congestion Management	0.300	0.300	0.500	0.500	0.450
206-5120	Administrative Secretary	0.950	0.950	0.910	0.910	0.910
206-5120	Assistant Planner	1.000	1.000	0.900	0.850	-
206-5120	Associate Planner	1.000	1.000	0.950	0.900	1.700
206-5120	Community Development Director	0.250	0.250	0.370	0.290	0.290
206-5120	Management Analyst	-	0.200	0.200	0.200	0.250
206-5120	Office Assistant I/II	1.150	1.150	0.900	0.900	0.900
206-5120	Planning Manager	0.400	0.400	0.500	0.500	0.500
206-5120	Planning Technician	1.000	1.000	1.000	1.000	1.000
206-5120	Police Captain	0.060	0.060	-	-	-
206-5120	Police Lieutenant	-	-	-	-	0.060
206-5120	Public Safety Dispatcher	-	-	0.060	0.060	-
206-5120	Senior Planner	0.950	1.300	1.280	0.800	1.180
206-5120	Planning	6.760	7.310	7.070	6.410	6.790
206-5130	(Senior) Building Inspector	2.600	2.600	2.350	2.350	2.350
206-5130	Building Permit Technician	1.000	1.000	1.000	1.000	1.000
206-5130	Chief Building Official	1.000	1.000	0.740	0.690	0.690
206-5130	Code Enforcement Officer	0.250	0.250	0.250	0.250	0.250
206-5130	Community Development Director	0.250	0.250	0.250	0.250	0.250
206-5130	Management Analyst	-	0.200	0.200	0.200	0.250
206-5130	Municipal Services Assistant	1.000	1.000	1.000	0.800	0.800
206-5130	Office Assistant I/II	0.750	0.750	1.000	1.000	1.000
206-5130	Building Division	6.850	7.050	6.790	6.540	6.590

Staffing Detail by Programs (continued)

Dept	Job Classification	00/01 Actual	01/02 Actual	02/03 Actual	03/04 Current	04/05 Proposed
206-5410	Administrative Secretary	0.200	0.200	0.200	0.200	0.200
206-5410	Assistant Engineer	0.650	0.650	0.550	0.550	0.700
206-5410	Associate Engineer	0.220	0.220	0.170	0.050	0.050
206-5410	Deputy Public Works Director	0.320	0.320	0.120	0.125	0.320
206-5410	Engineering Aide I/II	1.800	1.800	1.350	1.350	1.350
206-5410	Junior Engineer	0.250	0.250	0.200	0.100	0.150
206-5410	Management Analyst	0.100	0.100	0.100	0.105	0.080
206-5410	Municipal Services Assistant	-	-	0.150		
206-5410	Office Assistant I/II	0.310	0.310	0.160	0.305	0.160
206-5410	Project Manager	-	-	-	-	0.420
206-5410	Public Works Director	0.150	0.150	0.050	0.050	0.050
206-5410	Public Works Inspection Supervisor	-	0.100	0.350	0.350	0.350
206-5410	Public Works Inspector	0.650	0.650	0.420	0.420	0.150
206-5410	Senior Civil Engineer	0.420	0.420	0.500	0.450	0.550
206-5410	Senior Public Works Inspector	0.500	0.500	0.250	0.250	0.250
206-5410	Engineering	5.570	5.670	4.570	4.305	4.780
207-5170	Administrative Secretary	-	-	0.010	0.010	0.010
207-5170	Community Development Director	0.100	0.100	0.020	0.100	0.100
207-5170	Senior Planner	-	0.200	0.030	0.410	0.040
207-5170	General Plan Update	0.100	0.300	0.060	0.520	0.150
229-8351	Deputy Public Works Director	0.020	0.020	0.040	0.050	0.050
229-8351	Maintenance Worker I/II	0.050	0.050	0.050	0.050	0.050
229-8351	Management Analyst	0.050	0.050	0.030	0.025	0.050
229-8351	Municipal Services Assistant	-	-	0.010	0.025	-
229-8351	Senior Maintenance Worker	0.050	0.050	0.050	0.050	0.050
229-8351	Lighting & Landscape	0.170	0.170	0.180	0.200	0.200
232-5800	Assistant to the City Manager	0.450	0.400	0.500	0.500	-
232-5800	Community Development Director	-	-	-	-	-
232-5800	Environmental Program Assistant	-	-	-	-	-
232-5800	Environmental Program Manager	-	-	-	-	-
232-5800	Municipal Services Assistant	-	-	0.430	0.410	0.410
232-5800	Office Assistant I/II	0.400	0.400	0.050	0.050	0.050
232-5800	Program Administrator	-	-	-	-	0.500
232-5800	Solid Waste Management	0.850	0.800	0.980	0.960	0.960
317-7000	Administrative Secretary	-	-	0.020	0.020	0.020
317-7000	Assistant Planner	-	-	0.100	0.100	-
317-7000	Associate Planner	-	-	0.050	0.100	0.250
317-7000	BAHS Analyst	0.250	0.250	0.250	0.250	0.250
317-7000	BAHS Director	0.500	0.500	0.500	0.500	0.500
317-7000	BAHS Manager	0.750	0.750	0.750	0.750	0.750
317-7000	Chief Building Official	-	-	-	0.050	0.050
317-7000	City Attorney	-	-	-	-	0.070
317-7000	City Manager	0.300	0.300	0.300	0.300	0.300
317-7000	Code Enforcement Officer	0.250	0.250	0.250	0.250	0.250
317-7000	Community Development Director	0.300	0.300	0.290	0.290	0.290
317-7000	Deputy Public Works Director	-	-	0.100	0.100	0.100

Staffing Detail by Programs (continued)

Dept	Job Classification	00/01 Actual	01/02 Actual	02/03 Actual	03/04 Current	04/05 Proposed
317-7000	Management Analyst	-	0.100	0.100	0.100	-
317-7000	Office Assistant I/II	0.500	0.450	0.450	0.450	0.450
317-7000	Planning Manager	0.400	0.400	0.250	0.250	0.250
317-7000	Project Manager	-	1.000	1.000	1.000	1.000
317-7000	Public Works Director	-	-	0.050	0.050	0.050
317-7000	Secretary to the City Manager	0.300	0.300	0.300	0.300	0.300
317-7000	Senior Civil Engineer	-	-	0.250	0.250	0.250
317-7000	Senior Planner	-	0.200	0.410	0.510	0.510
317-7000	Senior Project Manager/Community	-	-	1.000	1.000	1.000
317-7000	BAHS Administration	3.550	4.800	6.420	6.620	6.640
327-7100	Assistant Planner	-	-	-	0.050	-
327-7100	Associate Planner	-	-	-	-	0.050
327-7100	BAHS Analyst	0.750	0.750	0.750	0.750	0.750
327-7100	BAHS Director	0.500	0.500	0.500	0.500	0.500
327-7100	BAHS Manager	0.250	0.250	0.250	0.250	0.250
327-7100	Chief Building Official	-	-	0.050	0.050	0.050
327-7100	City Attorney	-	-	-	-	0.070
327-7100	City Manager	0.200	0.200	0.200	0.200	0.200
327-7100	Code Enforcement Officer	0.500	0.500	0.500	0.500	0.500
327-7100	Community Development Director	-	0.100	0.050	0.050	0.050
327-7100	Housing Program Coordinator	1.000	1.000	1.000	1.000	1.000
327-7100	Housing Rehabilitation Coordinator	1.000	1.000	1.000	1.000	1.000
327-7100	Municipal Services Assistant	1.000	1.000	1.000	1.000	1.000
327-7100	Office Assistant I/II	0.500	1.050	1.050	1.050	1.050
327-7100	Secretary to the City Manager	0.200	0.200	0.200	0.200	0.200
327-7100	Senior Planner	-	0.250	0.050	0.050	0.100
327-7100	BAHS Housing Assistance	5.900	6.800	6.600	6.650	6.770
640-5900	Administrative Secretary	0.170	0.170	0.155	0.170	0.165
640-5900	Assistant Engineer	0.210	0.210	0.200	0.200	0.180
640-5900	Associate Engineer	0.080	0.080	0.080	0.050	0.050
640-5900	Community Development Director	-	-	0.010	0.010	0.010
640-5900	Deputy Public Works Director	0.410	0.410	0.450	0.400	0.400
640-5900	Electrician	0.300	0.300	0.300	0.300	0.300
640-5900	Engineering Aide I/II	0.450	0.450	0.450	0.500	0.500
640-5900	Junior Engineer	0.160	0.160	0.160	0.050	0.070
640-5900	Management Analyst	0.350	0.350	0.470	0.475	0.450
640-5900	Municipal Services Assistant	0.350	0.350	0.520	0.360	0.360
640-5900	Office Assistant I/II	0.270	0.270	0.100	0.240	0.070
640-5900	Public Works Director	0.230	0.230	0.230	0.230	0.220
640-5900	Public Works Inspection Supervisor	-	0.400	0.100	0.100	0.100
640-5900	Public Works Inspector	-	-	-	-	0.150
640-5900	Senior Civil Engineer	0.150	0.150	0.150	0.180	0.180
640-5900	Senior Planner	-	-	0.015	0.015	0.010
640-5900	Senior Public Works Inspector	0.070	0.070	0.070	0.070	0.070
640-5900	Senior Utility Worker	1.000	1.000	1.000	1.000	1.000
640-5900	Utility Systems Manager	0.500	0.500	0.550	0.450	0.450
640-5900	Utility Systems Supervisor	0.500	0.500	0.500	0.500	0.500
640-5900	Utility Worker I/II	6.000	7.000	7.000	7.000	7.000
640-5900	Sewer Operations	99 11.200	12.600	12.510	12.300	12.235

CITY OF MORGAN HILL - FY 2004/05 - OPERATING AND CIP BUDGET - CITY OF MORGAN HILL - FY 2004/05 - OPERATING AND CIP BUDGET - CITY OF MORGAN HILL - FY 2004/05 - OPERATING AND CIP BUDGET - CITY OF MORGAN HILL - FY 2004/05 - OPERATING AND CIP BUDGET

Staffing Detail by Programs (continued)

Dept	Job Classification	00/01 Actual	01/02 Actual	02/03 Actual	03/04 Current	04/05 Proposed
650-5710	Administrative Secretary	0.160	0.160	0.155	0.170	0.175
650-5710	Assistant Engineer	0.160	0.160	0.150	0.170	0.190
650-5710	Associate Engineer	0.080	0.080	0.080	0.050	0.050
650-5710	Community Development Director	-	-	0.010	0.010	0.010
650-5710	Deputy Public Works Director	0.410	0.410	0.400	0.400	0.400
650-5710	Electrician	0.500	0.500	0.500	0.500	0.500
650-5710	Engineering Aide I/II	0.450	0.450	0.450	0.500	0.500
650-5710	Junior Engineer	0.320	0.320	0.320	0.100	0.080
650-5710	Management Analyst	0.450	0.450	0.450	0.475	0.530
650-5710	Municipal Services Assistant	0.350	0.350	0.520	0.360	0.360
650-5710	Office Assistant I/II	0.280	0.280	0.100	0.240	0.080
650-5710	Public Works Director	0.200	0.200	0.200	0.200	0.220
650-5710	Public Works Inspection Supervisor	-	-	0.100	0.100	0.100
650-5710	Public Works Inspector	-	-	-	-	0.150
650-5710	Senior Civil Engineer	0.210	0.210	0.210	0.180	0.180
650-5710	Senior Planner	-	-	0.015	0.015	0.010
650-5710	Senior Public Works Inspector	0.040	0.040	0.040	0.040	0.040
650-5710	Senior Utility Worker	1.000	1.000	1.000	1.000	1.000
650-5710	Utility Systems Manager	0.300	0.300	0.350	0.450	0.450
650-5710	Utility Systems Supervisor	0.300	0.300	0.500	0.500	0.500
650-5710	Utility Worker I/II	6.000	7.000	7.000	7.000	7.000
650-5710	Water Quality Specialist	1.000	1.000	1.000	1.000	1.000
650-5710	Water Operations	12.210	13.210	13.550	13.460	13.525
650-5720	Deputy Public Works Director	-	-	-	0.025	0.030
650-5720	Management Analyst	-	-	-	0.050	0.050
650-5720	Municipal Services Assistant	0.100	0.100	0.040	0.050	0.050
650-5720	Senior Water Meter Service Worker	1.000	1.000	1.000	1.000	1.000
650-5720	Utility Systems Manager	0.200	0.200	0.100	0.100	0.100
650-5720	Utility Systems Supervisor	0.200	0.200	-	-	-
650-5720	Water Meter Service Worker	2.000	2.000	2.000	2.000	2.000
650-5720	Meter Reading & Repair	3.500	3.500	3.140	3.225	3.230
650-5750	Accounting Assistant I/II	2.500	2.500	2.248	2.500	2.375
650-5750	Assistant Director of Finance	0.300	0.300	0.300	0.300	0.300
650-5750	Budget Manager	-	-	-	0.200	0.200
650-5750	Finance Director	0.200	0.200	0.200	0.200	0.200
650-5750	Utility Billing	3.000	3.000	2.748	3.200	3.075
650-5760	Assistant Engineer	-	-	0.050	0.050	-
650-5760	Junior Engineer	-	-	-	-	0.050
650-5760	Municipal Services Assistant	-	-	-	-	0.060
650-5760	Program Administrator	-	-	-	-	0.250
650-5760	Assistant to the City Manager	-	0.050	-	-	-
650-5760	Water Conservation	-	0.050	0.050	0.050	0.360
730-2520	Program Administrator	-	-	-	-	0.200
730-2520	Information Systems	-	-	-	-	0.200

Staffing Detail by Programs (continued)

Dept	Job Classification	00/01 Actual	01/02 Actual	02/03 Actual	03/04 Current	04/05 Proposed
740-2115	(Senior) Building Inspector	-	-	-	-	0.150
740-2115	Chief Building Official	-	-	-	-	0.060
740-2115	Custodian	-	-	-	-	1.500
740-2115	Facilities Maintenance Specialist	-	-	-	-	1.000
740-2115	Building Maintenance (CCC)	-	-	-	-	2.710
740-2120	Custodian	-	-	-	-	0.500
740-2120	Building Maintenance (Aquatics)	-	-	-	-	0.500
740-5150	(Senior) Building Inspector	0.400	0.400	0.500	0.500	0.500
740-5150	Chief Building Official	-	-	0.150	0.150	0.150
740-5150	Custodian	1.500	1.500	1.500	2.000	1.500
740-5150	Municipal Services Assistant	-	-	-	0.200	0.200
740-5150	Building Maintenance	1.900	1.900	2.150	2.850	2.350
745-8280	Administrative Secretary	0.370	0.370	0.370	0.370	0.370
745-8280	Assistant Engineer	0.900	0.900	1.000	1.000	0.900
745-8280	Associate Engineer	0.620	0.620	0.670	0.850	0.850
745-8280	Deputy Public Works Director	0.510	0.510	0.610	0.610	0.410
745-8280	Electrician	0.050	0.050	0.050	0.050	0.050
745-8280	Engineering Aide I/II	0.200	0.200	0.650	0.550	0.550
745-8280	Junior Engineer	0.270	0.270	0.320	0.750	0.650
745-8280	Management Analyst	0.420	0.420	0.420	0.420	0.420
745-8280	Municipal Services Assistant	-	-	0.400	-	-
745-8280	Office Assistant I/II	0.940	0.940	0.540	0.940	1.540
745-8280	Project Manager	-	1.000	1.000	1.000	0.580
745-8280	Public Works Director	0.310	0.310	0.360	0.360	0.350
745-8280	Public Works Inspector	0.350	0.350	0.580	0.580	0.425
745-8280	Public Works Inspection Supervisor	-	-	0.450	0.450	0.450
745-8280	Senior Civil Engineer	1.220	1.220	0.890	0.940	0.840
745-8280	Senior Public Works Inspector	0.390	0.390	0.640	0.640	0.640
745-8280	CIP Administration	6.550	7.550	8.950	9.510	9.025
Citywide		166.150	178.750	186.250	190.250	181.500

Council and Clerk Services

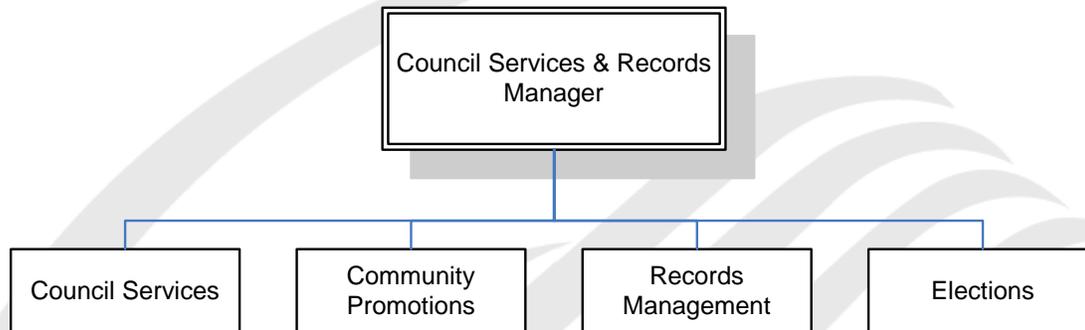
[010-1100] [010-1220] [010-2410] [010-2420]

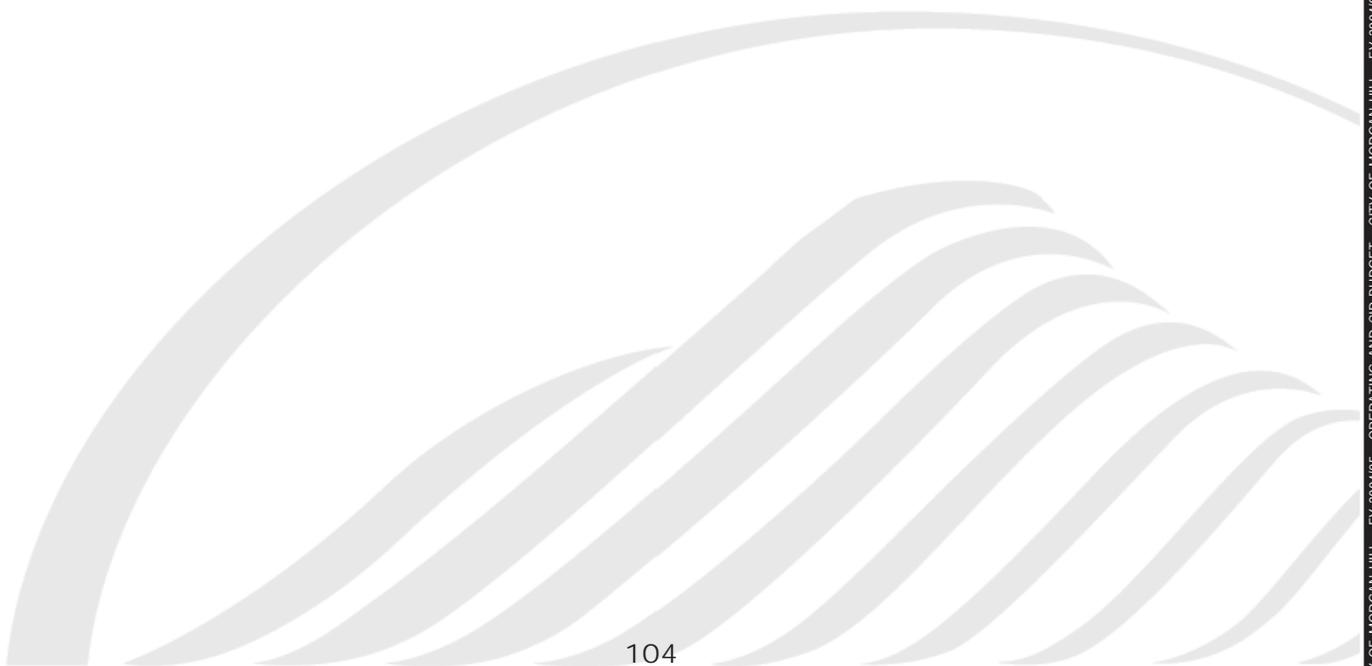
Appropriation Summary

	01/02 Actuals	02/03 Actuals	03/04 Current Budget ¹	03/04 Estimated Actuals	04/05 Adopted Budget
Salaries	371,374	309,306	353,435	308,145	343,589
Supplies & Services	112,368	125,677	146,081	135,260	149,695
Capital Outlay	71,980	-	-	-	-
Debt Services	2,135	1,321	-	-	-
Internal Service	58,410	73,310	100,535	100,535	62,365
Transfers Out	-	-	-	-	-
Project Expenditure	-	-	-	-	-
CITY CLERK TOTAL	616,267	509,613	600,051	543,940	555,649

010 1100 CITY COUNCIL	169,974	177,131	194,400	204,842	174,319
010 1220 COMMUNITY PROMOTIONS	35,546	43,496	31,542	31,615	28,114
010 2410 CITY CLERK	357,243	239,532	303,533	243,948	252,920
010 2420 ELECTIONS	53,505	49,454	70,576	63,535	100,296
DEPARTMENT TOTAL	616,267	509,613	600,051	543,940	555,649

¹ FY03/04 Adopted Budget: \$599,192





[010-1100] City Council

ACTIVITY DESCRIPTION

The City Council consists of a Mayor and four Council Members, elected at large by the citizens of Morgan Hill on a non-partisan basis. The City Council is the policy making legislative body of the City. The Council adopts ordinances and resolutions and approves major contracts, acquisitions and leases, as well as major purchases of equipment and services required by the City. With the advice and assistance of the City Manager and staff, the City Council reviews proposals to meet community needs, initiates action for new policies, and allocates resources. Members of the City Council also represent the City on various outside agencies, commissions and committees. City Council members participate in regional decision-making with regional committees and agencies to address mutual interests.

FY 2003/04 HIGHLIGHTS

- Approved purchase agreement for a New Police Facility at 16200 Vineyard Boulevard
- Made appointments to fill vacancies on various Boards, Commissions and Committees
- Supported findings, objectives and strategies of the Association of Monterey Bay Area Governments (AMBAG) report-strategies for inter-regional jobs and housing balance
- Conducted "Legislative Briefings" with state legislators on state, regional and local issues
- Approved funding for the Morgan Hill Chamber of Commerce to implement a "Community Development Marketing Plan"
- Adopted an "Affordable Housing Strategy"
- Provided funding for the Dayworker Center; amending the Municipal Code relating to Interim Use Permits
- Adopted ordinances that facilitated the conversion of residential units for commercial uses in the downtown area
- Monitored the construction progress of the Aquatics Center Project
- Monitored the progress of the Urban Limit Line (Greenbelt) Study
- Approved a Selection Criteria and Process for the Downtown Request for Concepts process
- Conducted a workshop with Boards, Commissions and Committees relating to "Ethics"
- Addressed clean-up efforts for the contaminate perchlorate, including seeking reimbursement for said clean-up efforts
- Formulated the "Morgan Hill Financing Authority"
- Endorsed a successful March 2, 2004 Ballot Measure; extending the City's Residential Development Control System to 2020
- Reviewed requests for proposals for the 17605 Monterey Road Police Facility
- Adopted City Council Policies and Goals for 2004.
- Adopted Resolution, implementing a City-wide Burrowing Owl Habitat Mitigation Plan
- Received regular updates on Medical Services Objectives from the Morgan Hill Community Health Foundation and the DePaul Health Center
- Adopted Resolution in support of the Local Taxpayers and Public Safety Protection Act state-wide ballot measure
- Reviewed and approved the Council's Economic Development Subcommittee recommendations regarding "Quick Hitters" and "Information Gathering" proposals under the Downtown Request for Concepts
- Conducted a workshop with City of San Jose staff regarding the "Coyote Valley Specific Plan"
- Approved a precise development plan for the Watsonville Road-South County Housing 10-unit attached teacher housing project

[010-1220] Community Promotions

Acct	Description	01/02 Actuals	02/03 Actuals	03/04 Current Budget	03/04 Estimated Actual	04/05 Adopted Budget
41100	SALARIES-GENERAL	5,807	9,992	10,344	10,243	10,910
41320	SALARIES-OTHER PAYOUT	276	502	-	150	200
41560	UNEMP. INS	-	1	15	5	29
41620	RETIREMENT-GENERAL	-	-	255	207	887
41690	DEFERRED COMPENSATION	234	500	517	512	546
41700	GROUP INSURANCE	415	744	744	766	1,020
41701	MEDICARE	73	-	150	-	158
41730	INCOME PROTECTION INS	76	176	119	200	119
41760	WORKERS COMP	131	236	321	321	442
41799	BENEFITS	5	241	-	234	-
41000s	<<EMPLOYEE SERVICES>>	7,017	12,392	12,465	12,638	14,311
42214	TELEPHONE	56	86	100	100	100
42231	CONTRACT SERVICES	9,959	-	-	1,418	-
42244	STATIONERY & OFFICE SUPPLIES	354	26	200	100	200
42245	COMPUTER HARDWARE-NON CAPITAL	-	-	-	-	750
42248	OTHER SUPPLIES	17,398	30,653	17,400	15,761	11,400
42250	ADVERTISING	-	81	-	-	-
42254	POSTAGE & FREIGHT	687	160	300	300	300
42257	PRINTING	-	-	1,000	1,221	1,000
42000s	<<SUPPLIES & SERVICES>>	28,453	31,007	19,000	18,900	13,750
45003	GENERAL LIABILITY INS	76	97	77	77	53
45000s	<<INTERNAL SERVICES>>	76	97	77	77	53
	COMMUNITY PROMOTIONS	35,546	43,496	31,542	31,615	28,114



[010-2410] Council Services & Records Management

ACTIVITY DESCRIPTION

The Council Services and Records Manager is appointed by the City Manager and serves as the City Clerk; Clerk of the Boards, Commissions and Committees; Secretary to the Redevelopment Agency Board and the newly created Financing Authority; and is the Filing Officer/Official for the Fair Political Practices Commission. With the assistance of a full-time Municipal Services Assistant, the Council Services and Records Manager administers the City-wide records management program; prepares the City Council and Redevelopment Agency agendas and minutes; assists with Commissions/Committees Agendas and recruitment efforts; serves as City Council liaison; indexes all official and recorded documents; processes the updates for the Municipal Code; is responsible for recording documents; and serves as the Office Manager for City Administration. This office also acts as the liaison to the City of Morgan Hill-Morgan Hill Unified School District Liaison Committee. Staff provides essential cross-departmental services such as telephone and public counter reception; processes incoming and outgoing mail; purchases shared office supplies; administers the City-wide telephone system; acts as key operator to the photocopier; coordinates meetings for the Mayor and Council Members and related committees; is the filing official for all subpoenas, claims, and bid process; and is responsible for requests for "public records."

The City Clerk is elected by the citizenry of Morgan Hill, attends all regular and special meetings of the City Council, and prepares the minutes of said meetings.

FY 2003/04 HIGHLIGHTS

- Coordinated and posted City Council/ Redevelopment Agency (RDA) meeting agendas in accordance with the Brown Act
- Posted abbreviated City Council/RDA Agenda Packets on the City's website
- Assisted Departments with recruitments to fill vacancies on the various boards, committees and commissions
- Assisted Mayor, Council Members, department directors, outside agencies and citizens with the coordination of meetings, including Council subcommittee meetings
- Processed over 738 requests for public records
- Processed 52 City Council and Redevelopment Agency Agenda Packets
- Amended City's Record Retention Schedule and assisted departments with storage/purging of non-essential records based on the adopted "Records Retention Schedule"
- Conducted annual clean-up days; resulting in the elimination of 52 boxes of records per the City's adopted Record Retention Schedule.
- Council Services and Records Manager appointed to the Northern California City Clerk's Association Board
- Assisted Mayor with a reception following the annual "State of the City Address"
- Assisted Mayor and Council with arrangements for Sister City signing trip to San Martin de Hidalgo, Mexico.
- Terminated contract with Iron Mountain for the storage of files. Termination of contract will result in approximately \$4,586 in savings of annual storage and retrieval charges. These files have been incorporated into the City's Record Center and organized for easy record retrieval.
- Scanned approximately 2,000 pages of historical records for City Boards and Commissions.
- Scanned 6,500 pages of City Council and Redevelopment Agency agendas and minutes.

[010-2410] Council Services & Records Management

Council Services & Records Management staff and citizens are pleased with the fact that the City has implemented an enhanced service – Passport Acceptance. The projected revenue greatly exceeded the City staff's expectation as a new revenue source, generating approximately \$25,000 in Fiscal Year 2003-04. Citizens are pleased that they do not have to travel to the north or south of Morgan Hill's boundaries to apply for a passport.

<u>PERFORMANCE MEASURES</u>	<u>FY 02/03</u> <u>ACTUAL</u>	<u>FY 03/04</u> <u>PROJ.</u>	<u>FY 04/05</u> <u>GOAL</u>
• Number of requests for public records	895	738	800
• Amount of time to research/copy requests for public records - within 1 day	86.7%	84.3%	85%
- within 10 days	11.8%	14.5%	14%
- over 10 days	1.5%	1.1%	1%

[010-2410] Council Services & Records Management

Acct	Description	01/02	02/03	03/04	03/04	04/05
		Actuals	Actuals	Current Budget	Estimated Actual	Adopted Budget
41100	SALARIES-GENERAL	142,651	107,903	164,054	117,337	138,978
41210	SALARIES-ELECTED/APPT	2,400	2,409	2,400	2,400	2,400
41270	SALARIES-PART-TIME	27,608	19,949	-	11,439	-
41320	SALARIES-OTHER PAYOUT	3,040	4,565	7,900	2,700	4,000
41490	OVERTIME-GENERAL	66	-	1,000	1,000	1,000
41560	UNEMP. INS	19	22	555	241	787
41620	RETIREMENT-GENERAL	9,493	4,725	12,852	8,403	18,035
41690	DEFERRED COMPENSATION	3,270	3,247	2,327	3,131	2,455
41700	GROUP INSURANCE	25,044	13,969	21,339	17,884	22,268
41701	MEDICARE	2,028	956	2,379	1,191	2,015
41730	INCOME PROTECTION INS	3,174	2,287	2,366	2,314	1,878
41760	WORKERS COMP	4,685	3,039	4,996	4,982	5,636
41799	BENEFITS	(6,293)	1,566	-	1,112	-
41900	CONTRACT LABOR	11,906	4,968	5,000	1,000	-
41000s	<<EMPLOYEE SERVICES>>	229,092	169,605	227,168	175,134	199,452
42214	TELEPHONE	3,863	3,815	3,500	3,800	3,550
42230	SPECIAL COUNSEL	-	-	-	4,060	-
42231	CONTRACT SERVICES	18,516	15,390	15,000	15,000	15,000
42240	RENTALS - OUTSIDE	-	49	-	-	-
42244	STATIONERY & OFFICE SUPPLIES	3,684	3,177	4,000	2,500	3,000
42245	COMPUTER HARDWARE-NON CAPITAL	-	-	-	-	3,000
42248	OTHER SUPPLIES	1,113	748	800	500	800
42250	ADVERTISING	106	178	800	800	800
42252	PHOTOCOPYING	558	292	900	900	1,200
42254	POSTAGE & FREIGHT	1,032	995	1,200	1,200	1,200
42257	PRINTING	680	58	500	200	500
42261	AUTO MILEAGE	81	142	200	200	200
42265	AUTO ALLOWANCE	(35)	-	-	-	-
42408	TRAINING & EDUCATION	1,934	1,202	2,500	2,000	1,500
42415	CONFERENCE & MEETINGS	2,566	3,011	2,500	2,000	2,000
42423	MEMBERSHIP & DUES	1,110	385	600	600	600
42435	SUBSCRIPTION & PUB.	682	225	500	550	500
42440	BOARDS & COMMISSIONS	-	1,196	2,000	1,000	-
42531	MAINT - FURNITURE/OFFICE EQUIPMENT	3,628	4,441	7,861	-	-
42000s	<<SUPPLIES & SERVICES>>	39,518	35,304	42,861	35,310	33,850
43825	MACHINERY/EQUIPMENT	3,919	-	-	-	-
43835	FURNITURE/OFFICE EQUIPMENT	49,630	-	-	-	-
43840	COMPUTER EQUIPMENT	8,055	-	-	-	-
43000s	<<CAPITAL OUTLAY>>	61,605	-	-	-	-
44994	LEASE PAYMENTS	1,170	404	-	-	-
44000s	<<DEBT SERVICE>>	1,170	404	-	-	-
45003	GENERAL LIABILITY INS	4,092	3,285	2,684	2,684	1,333
45004	BLDG MAINT SERVICES	12,728	14,806	20,383	20,383	12,167
45009	I.S. SERVICES	9,038	16,128	10,437	10,437	6,118
45000s	<<INTERNAL SERVICES>>	25,858	34,219	33,504	33,504	19,618
COUNCIL SVS & RECORDS MGMT		357,243	239,532	303,533	243,948	252,920

[010-2420] Elections

ACTIVITY DESCRIPTION

This Division is coordinated through the Office of the Council Services and Records Management. The Council Services and Records Manager serves as the Election Officer/Official for the City of Morgan Hill and is responsible for all election procedures, including all Fair Political Practices Commission Filings.

FY 2003/04 HIGHLIGHTS

- Facilitated the consolidation of the March 2, 2004 Special Municipal Election with the Santa Clara County Board of Supervisors and the Registrar of Voters Office. The City submitted a ballot measure to the voters that extends the City's Residential Development Control System to 2020
- Council Services and Records Manager attended the annual New Laws and Elections Seminar
- Council Services and Records Manager assisted in the timely filings of all Open Campaign Committees (Fair Political Practices Commission Semi-Annual Filings)
- Processed 122 notifications and tracked related Statements of Economic Interests (Form 700 filers)
- Facilitated the use of the Council Chambers for the March 2, 2004 Special Municipal election as a polling precinct.

FY 2004/05 WORKPLAN

- Coordinate General Municipal Election for November 2, 2004

FY 2004/05 ACTIVITY GOALS

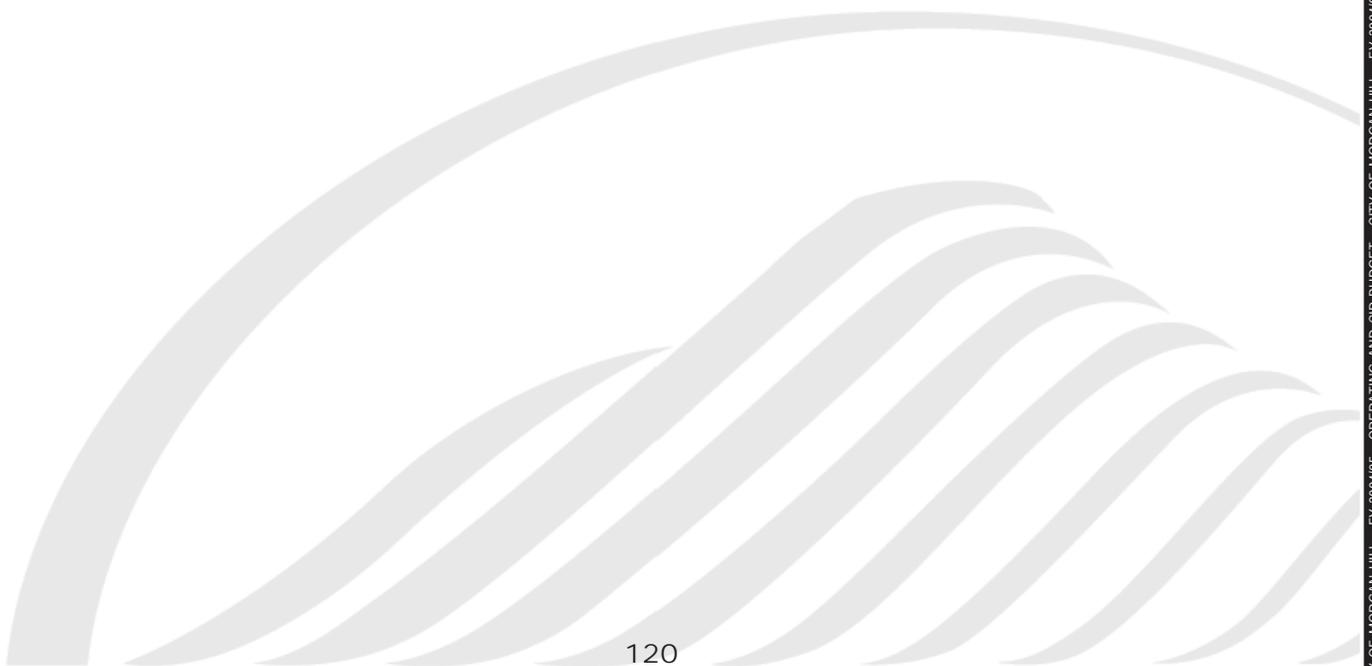
- Administer the Fair Political Practices Commission (FPPC) filing requirements and maintain accurate records
- Prepare an informational candidates packet for individuals seeking nomination for local office.
- Assist and participate in an informational candidate orientation.
- Council Services and Records Manager to attend the annual New Laws and Election seminar

FINANCIAL COMMENTS

This budget includes funding for a General Municipal Election scheduled for November 2, 2004 to fill the following: Mayor, two (2) Council Members, City Clerk and City Treasure seats. Funding has been included to retain the services of the Santa Clara County Registrar of Voters to administer the election in order to keep election costs to a minimum. There has been an increase in election costs attributed to election mandates since the last General Municipal Election held in November 2002 (approximately 440% increase). A percentage of personnel costs are included for the Council Services and Records Manager and clerk staff for election-related activities and responsibilities.

Funding was not included in the Fiscal Year 2004-05 budget to cover the cost of a ballot measure(s). Should the Council include a ballot measure or should there be a citizen-initiative placed on the ballot, funding to cover the cost of the ballot measure(s) would need to come from the General Fund Reserve.

<u>PERFORMANCE MEASURES</u>	<u>FY 02/03</u> <u>ACTUAL</u>	<u>FY 03/04</u> <u>PROJ.</u>	<u>FY 04/05</u> <u>GOAL</u>
• Number of Statement of Economic Interests filed and number of applications requested	3 (105)	122	122
• Percentage filed by deadline	100%	93%	100%
• Percentage filed late	0%	7%	0%



[010-1500] City Attorney

ACTIVITY DESCRIPTION

The City Attorney, directly appointed by the City Council, is responsible for administration of all legal affairs of the City. The City Attorney represents the City in litigation, administrative hearings, and other legal matters; prepares or reviews all ordinances, contracts and other legal documents; renders legal advice and opinions to the City Council, Redevelopment Agency, City and Agency Boards and Commissions, and City staff; and oversees all work done by outside counsel on behalf of the City.

FY 2003/04 HIGHLIGHTS

- Staffing - During FY 2003/04, the positions of City Attorney and Legal Secretary remained filled by the present employees. This stabilized staffing resulted in enhanced utilization of economic resources and ensured continuity of litigation and administrative philosophies and practices. Hiring of an Assistant City Attorney was deferred due to budgetary pressures.
- Emphasis on Preventative Law - The City Attorney's Office continued to emphasize preventative law concepts, including early identification and correction of problematic work philosophies and practices. An open-door policy allowed continual access to the City Attorney by Council members and staff, and resulted in potential legal problems being identified and acted upon at early stages of development. The City Attorney also remained accessible to Council, staff and the public through office hours, telephone, and electronic communication. The City Attorney continued to work closely with the City Manager, Risk Manager, affected Departments, and the public to monitor and resolve matters and issues of public concern in the claims phase, thus avoiding the inherent costs of defending the City against claims and lawsuits.
- Litigation Caseload - The number of open cases decreased to twelve from last year's count of thirteen.
- Municipal Code/Form Review - A project to revise the municipal code and forms commonly used by City departments continued, but was delayed due to increased litigation and transactional matters and budgetary pressures impacting the ability to retain outside counsel to assist in this and other projects. The project is expected to continue through the next reporting period.
- Maintenance of Fiscal Constraints - Fiscal constraints continued to be a consideration, resulting, in part, in the deferral of hiring of a full-time assistant city attorney, and in more limited use of outside counsel to perform specialized tasks and/or handle complex litigation matters. Active monitoring of outside law firms with a concentration on appropriate, effective, and economic case and matter handling continued.
- Litigation - Total outstanding lawsuits stand at twelve. The following cases were resolved: City of Morgan Hill v. Biederman; Interstate Trust Deed Services, Inc., v. City of Morgan Hill; City of Morgan Hill v. Folk; City of Morgan Hill v. Cupps; Santa Clara Valley Audubon Society v. City of Morgan Hill; Santa Teresa Citizen Action Group v. California Energy Commission; Paliska v. City of Morgan Hill; Allstate Insurance Company v. City of Morgan Hill; Kennedy v. Davis; and Cecil v. Liao and City of Morgan Hill. The following new cases were filed: .Bob Lynch Ford, Inc., v. City of Morgan Hill; Oregon Mutual Insurance Company v. City of Morgan Hill; City of Morgan Hill v. VBN Corporation; City of Morgan Hill v. American Alliance Always Available; and Kerr v. Cahill and City of Morgan Hill.
- Advisory and Transactional - Numerous agreements for Public Works, Community Development, Redevelopment Agency, Recreation, and Housing were negotiated and prepared. Scheduled office hours with City Manager, Finance, Human Resources, and Public Works staff were held regularly to discuss general legal questions and provide either oral or written responsive advice. The City Attorney maintained an open-door policy for staff and Council access, and was therefore available to address staff questions and meet with staff on advisory matters on a constant basis. The City Attorney was also available by telephone and electronic communication during non-office hours.

[010-1500] City Attorney

- The office uses an Action Form system to track requests from staff for advice on various matters or review of contracts. Over 400 Action Forms were processed in the previous reporting period, an 8% increase from the prior fiscal year. Approximately one-half of these are contracts, with most of the remaining requests for general legal advice and/or research. Responding to City Council requests, through meetings, telephone conversations and electronic mail, continued over the past year.

FINANCIAL COMMENTS

Approximately 45% of the City Attorney's budget is spent on outside counsel handling non-complex, routine litigation, up from 41% the previous year. This is primarily a reactive function that can be managed, but not entirely eliminated, as the City Attorney cannot control the number or complexity of lawsuits filed against the City. The possibility therefore exists for exceeding the budgeted amount estimated for outside litigation. Finally, it should be noted that for FY 04/05 an additional \$25,000 of the City Attorney's salary will be paid for by Redevelopment Agency funds.

<u>PERFORMANCE MEASURES</u>	<u>FY 02/03</u> <u>ACTUAL</u>	<u>FY 03/04</u> <u>PROJ.</u>	<u>FY 04/05</u> <u>GOAL</u>
• Standard contracts reviewed within ten days	100%	100%	100%
• Amended Municipal Chapter Codes adopted by the City	4	4	4
• Hours of MCLE	26	25	25
• Closure of more than 50% of defense cases under \$75,000 in legal fees	100%	100%	100%

[010-1500] City Attorney

Acct	Description	01/02 Actuals	02/03 Actuals	03/04 Current Budget	03/04 Estimated Actual	04/05 Adopted Budget
41100	SALARIES-GENERAL	194,161	207,920	220,626	201,329	202,792
41270	SALARIES-PART-TIME	3,765	8,020	-	-	-
41320	SALARIES-OTHER PAYOUT	1,620	10,315	-	7,200	-
41560	UNEMP. INS	16	15	296	99	532
41620	RETIREMENT-GENERAL	3,971	11,642	21,972	19,775	31,682
41690	DEFERRED COMPENSATION	7,290	9,543	11,164	9,436	10,809
41700	GROUP INSURANCE	12,928	15,175	13,680	15,724	19,586
41701	MEDICARE	3,262	3,887	3,199	3,187	2,940
41730	INCOME PROTECTION INS	2,032	2,739	2,052	3,004	1,904
41760	WORKERS COMP	4,780	5,031	6,691	6,679	8,324
41799	BENEFITS	4,892	4,819	-	4,677	-
41900	CONTRACT LABOR	4,795	-	-	-	-
41000s	<<EMPLOYEE SERVICES>>	243,513	279,105	279,680	271,110	278,569
42214	TELEPHONE	3,201	1,163	800	2,069	2,229
42230	SPECIAL COUNSEL	380,606	502,725	275,000	264,000	250,000
42231	CONTRACT SERVICES	31,131	26,798	21,000	6,588	6,000
42244	STATIONERY & OFFICE SUPPLIES	2,064	1,609	1,300	839	1,000
42248	OTHER SUPPLIES	403	564	433	-	500
42250	ADVERTISING	-	425	-	-	-
42252	PHOTOCOPYING	294	37	420	268	318
42254	POSTAGE & FREIGHT	739	696	800	785	800
42257	PRINTING	255	96	200	-	200
42261	AUTO MILEAGE	-	212	200	-	200
42265	AUTO ALLOWANCE	(92)	-	-	-	-
42299	OTHER EXPENSE	130	-	100	-	100
42301	REIMBURSEMENTS	923	901	1,500	-	1,500
42408	TRAINING & EDUCATION	4,198	4,479	2,000	1,336	2,000
42415	CONFERENCE & MEETINGS	7,050	3,487	3,500	3,209	3,500
42423	MEMBERSHIP & DUES	1,338	1,155	1,500	1,115	1,500
42435	SUBSCRIPTION & PUB.	6,044	5,505	4,500	4,424	4,500
42531	MAINT - FURNITURE/OFFICE EQUIPMENT	283	258	143	38	143
42000s	<<SUPPLIES & SERVICES>>	438,567	550,110	313,396	284,671	274,490
43840	COMPUTER EQUIPMENT	2,111	1,073	-	-	-
43845	COMPUTER SOFTWARE	79	-	-	-	-
43000s	<<CAPITAL OUTLAY>>	2,190	1,073	-	-	-
44994	LEASE PAYMENTS	71	67	-	-	-
44000s	<<DEBT SERVICE>>	71	67	-	-	-
45003	GENERAL LIABILITY INS	3,777	2,899	2,300	2,300	927
45004	BLDG MAINT SERVICES	9,569	11,130	15,323	15,323	9,146
45009	I.S. SERVICES	4,519	8,064	5,218	5,218	3,059
45000s	<<INTERNAL SERVICES>>	17,865	22,093	22,841	22,841	13,132
	CITY ATTORNEY	702,206	852,448	615,917	578,622	566,191

City Manager's Office

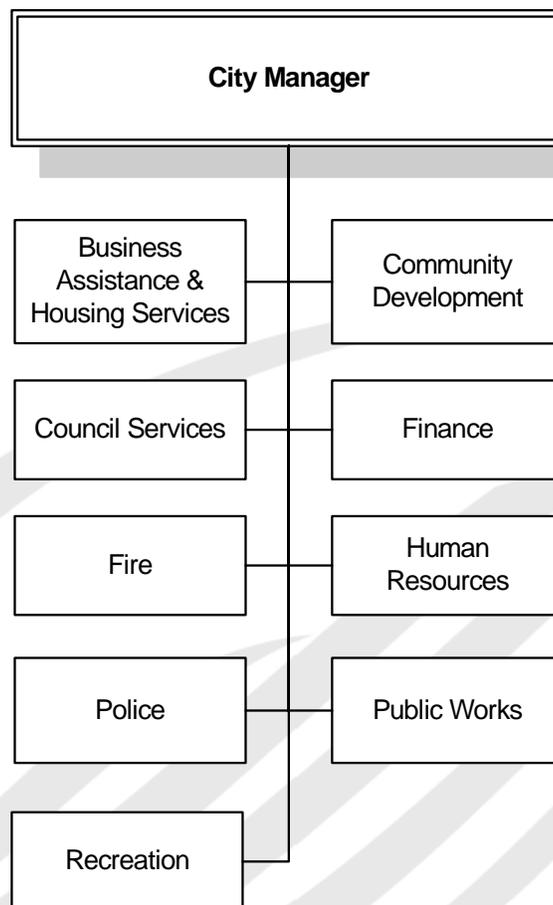
[010-2100] [010-5140] [010-5145]

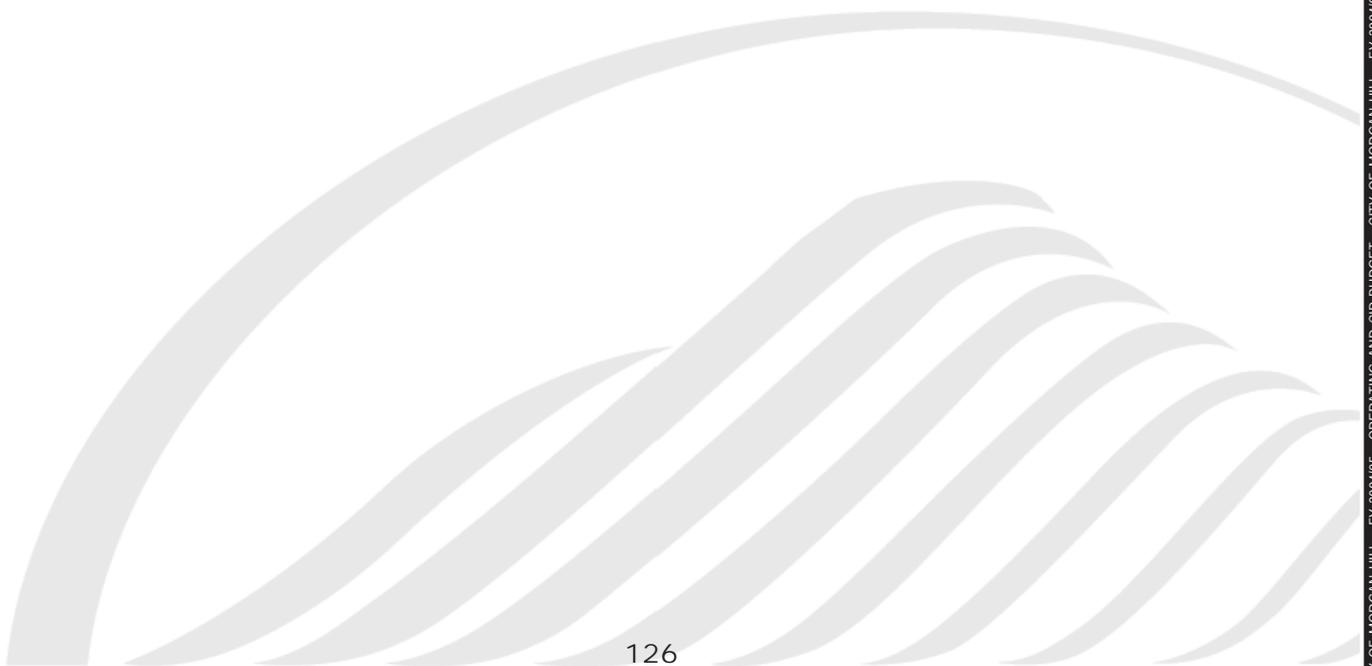
Appropriations Summary

	01/02 Actuals	02/03 Actuals	03/04 Current Budget ¹	03/04 Estimated Actuals	04/05 Adopted Budget
Salaries	349,975	338,379	396,451	397,278	337,569
Supplies & Services	148,331	149,227	126,273	114,420	81,194
Capital Outlay	8,285	367	-	-	-
Debt Services	506	480	-	-	-
Internal Service	22,785	26,401	27,258	27,218	15,902
Transfers Out	-	-	-	-	-
Project Expenditure	-	-	-	-	-
CITY MANAGER'S OFFICE	529,882	514,855	549,982	538,916	434,665

010 2100 CITY MANAGER	481,957	354,978	391,162	382,376	318,659
010 5140 CABLE TV KCMH	47,925	58,461	46,986	47,027	44,961
010 5145 COMM. & MARKETING	-	101,416	111,834	109,513	71,045
DEPARTMENT TOTAL	529,882	514,855	549,982	538,916	434,665

¹ FY03/04 Adopted Budget: \$995,003. However, this included \$452,029 from [232-5800] Solid Waste Management which is now managed by Public Works





[010-2100] City Manager

ACTIVITY DESCRIPTION

The City Manager is appointed by the City Council to serve as the administrative head of the City government. The City Manager is responsible for preparing the annual budget, for managing the personnel system, and for implementing Council policy. In addition, the City Manager serves as Executive Director of the Redevelopment Agency (RDA), Personnel Officer, Purchasing Agent, and Director of Emergency Services. For FY 2004/05, the City Manager's Office activities will include organizational studies, communications and marketing, and administration of the City's contract for fire suppression and emergency medical services. As described in the "Fiscal Impact" section below, the Environmental Programs activity is being moved to the Public Works Department. Legislative advocacy and participation in community-based organizations such as the dayworker center will be reduced.

FY 2003/04 HIGHLIGHTS

- Developed the Sustainable Budget Strategy to support Council objectives for ensuring the City's financial health
- Managed the implementation of the Redevelopment Agency projects, including implementation of the Housing Strategy and planning for the aquatic center and indoor recreation center
- Negotiated extension to the fire suppression and emergency medical service contract with Santa Clara County Fire Department
- Provided leadership in the implementation of the Economic Development strategy
- Supported the work of the Morgan Hill Community Health Foundation in meeting the Council's objectives for medical services in Morgan Hill
- Continued to support the Council in advancing the City's interests in state and federal legislative processes
- Began implementing recommendations from Information Technology and Purchasing management studies
- Began management study of facilities management activities
- Worked with community group to resolve issues related to day laborers

FY 2004/05 WORKPLAN

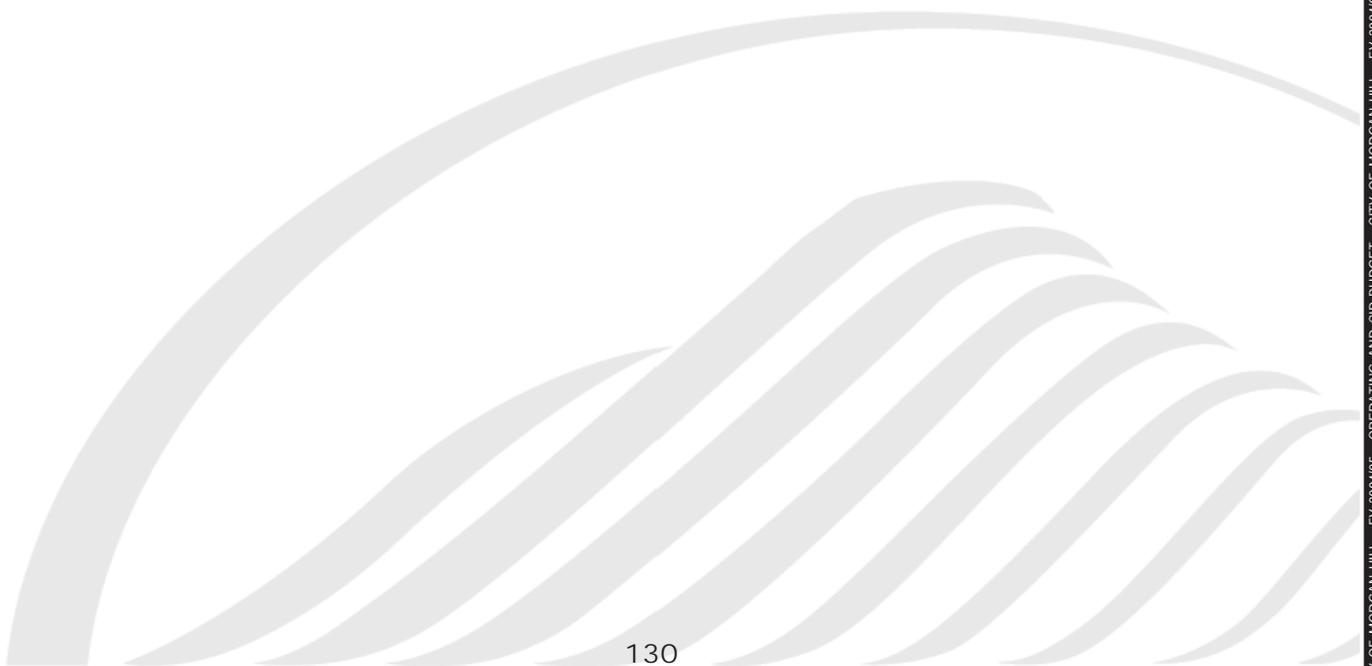
- Complete Recruitment for Police Chief
- Study Creation of an Administrative Services Department
- Evaluate use of committees and commissions and recommend changes to improve decision making and reduce cost
- Implement Recommendations from Facilities Management Study
- Launch e-mail communication network with interested residents, businesses, and others

Additional activities to be undertaken in FY 2004/05 include:

- Hire Community Development Director
- Facilitate development of a 60-acre sub-regional commercial center at Cochrane/Highway 101
- Facilitate the expansion of the RV dealers
- Leadership and support to various economic development efforts
- Attract at least one additional auto dealer
- Implement Council's Affordable Housing Strategy

[010-2100] City Manager

Acct	Description	01/02 Actuals	02/03 Actuals	03/04 Current Budget	03/04 Estimated Actual	04/05 Adopted Budget
41100	SALARIES-GENERAL	262,496	223,862	261,520	262,847	206,985
41270	SALARIES-PART-TIME	5,599	888	-	461	-
41320	SALARIES-OTHER PAYOUT	13,245	10,709	10,070	10,070	9,907
41330	SALARIES-SICK LEAVE PAYOUT	-	-	3,012	-	-
41490	OVERTIME-GENERAL	-	9	-	-	-
41560	UNEMP. INS	12	11	329	329	501
41620	RETIREMENT-GENERAL	409	3,931	13,215	13,215	25,970
41690	DEFERRED COMPENSATION	10,334	12,907	13,952	13,952	11,193
41700	GROUP INSURANCE	15,668	17,188	17,038	17,038	16,394
41701	MEDICARE	3,753	3,822	3,792	3,792	3,001
41730	INCOME PROTECTION INS	2,799	3,704	2,626	2,626	2,082
41760	WORKERS COMP	5,819	5,968	7,875	7,864	8,358
41799	BENEFITS	2,446	2,862	-	7,500	-
41900	CONTRACT LABOR	2,439	1,148	3,240	-	-
41000s	<<EMPLOYEE SERVICES>>	325,018	287,009	336,669	339,694	284,391
42214	TELEPHONE	3,522	2,371	2,964	2,964	2,808
42228	GASOLINE & OIL	-	6	-	-	-
42231	CONTRACT SERVICES	64,274	22,841	10,000	-	-
42244	STATIONERY & OFFICE SUPPLIES	1,251	891	400	600	425
42245	COMPUTER HARDWARE-NON CAPITAL	-	-	-	1,000	-
42248	OTHER SUPPLIES	1,295	165	100	50	100
42250	ADVERTISING	-	-	750	-	-
42252	PHOTOCOPYING	203	124	1,731	1,731	1,731
42254	POSTAGE & FREIGHT	20,972	448	487	487	37
42257	PRINTING	16,574	282	290	150	206
42261	AUTO MILEAGE	513	376	600	275	350
42265	AUTO ALLOWANCE	(46)	-	-	-	-
42299	OTHER EXPENSE	148	-	100	50	50
42301	REIMBURSEMENTS	747	130	500	500	500
42408	TRAINING & EDUCATION	55	465	3,000	1,000	1,000
42415	CONFERENCE & MEETINGS	9,618	6,260	6,102	6,102	9,626
42423	MEMBERSHIP & DUES	4,840	3,926	4,265	4,265	3,820
42435	SUBSCRIPTION & PUB.	1,417	1,448	1,534	1,800	924
42523	MAINT - MACHINE/EQUIPMENT	-	-	-	-	50
42531	MAINT - FURNITURE/OFFICE EQUIPMENT	1,602	1,452	-	38	-
42000s	<<SUPPLIES & SERVICES>>	126,985	41,185	32,823	21,012	21,627
43835	FURNITURE/OFFICE EQUIPMENT	1,013	-	-	-	-
43840	COMPUTER EQUIPMENT	5,650	-	-	-	-
43000s	<<CAPITAL OUTLAY>>	6,663	-	-	-	-
44994	LEASE PAYMENTS	506	480	-	-	-
44000s	<<DEBT SERVICE>>	506	480	-	-	-
45003	GENERAL LIABILITY INS	4,533	2,145	1,695	1,695	933
45004	BLDG MAINT SERVICES	9,215	10,719	14,757	14,757	7,119
45009	I.S. SERVICES	9,038	13,440	5,218	5,218	4,589
45000s	<<INTERNAL SERVICES>>	22,785	26,304	21,670	21,670	12,641
	CITY MANAGER	481,957	354,978	391,162	382,376	318,659



[010-5140] Cable Services

ACTIVITY DESCRIPTION

The Environmental Programs Division is responsible for administering the cable television franchise and public access contract.

FY 2003/04 HIGHLIGHTS

- Improved the follow up and response to cable television service complaints

FY 2004/05 ACTIVITY GOALS

- Continue to respond aggressively in support of customer complaints

FINANCIAL COMMENTS

Funding for this activity is decreasing slightly due to the planned 20% reduction in facility relocation support for public access services.

<u>PERFORMANCE MEASURES</u>	<u>FY 02/03</u> <u>ACTUAL</u>	<u>FY 03/04</u> <u>PROJ.</u>	<u>FY 04/05</u> <u>GOAL</u>
• Number of cable complaints received	12	10	10
• Number of cable complaint processes completed	12	10	10
• Average number of days taken to completely process each cable complaint... ..	10.67	2	1

Recreation

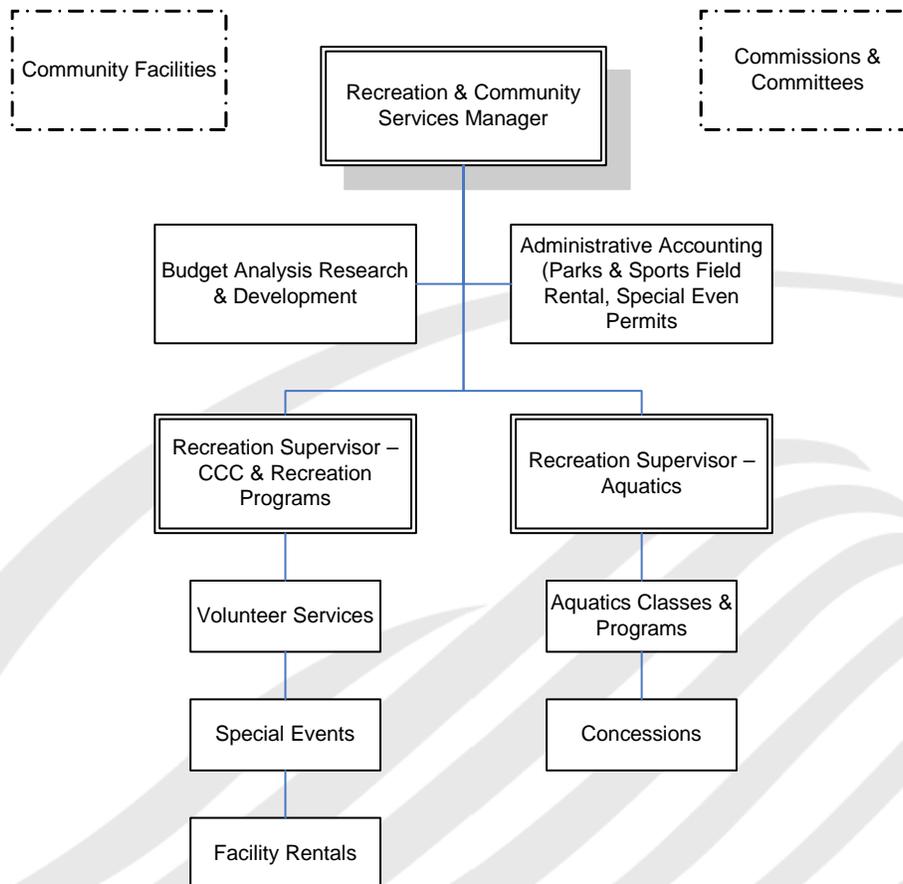
[010-2110] [010-2115] [010-2120] [010-2210]

Appropriations Summary

	01/02 Actuals	02/03 Actuals	03/04 Current Budget ¹	03/04 Estimated Actuals	04/05 Adopted Budget
Salaries	410,660	592,340	978,402	864,531	1,255,327
Supplies & Services	153,604	269,036	533,519	450,228	550,773
Capital Outlay	7,044	186,156	71,879	56,831	29,000
Debt Services	486	482	-	-	-
Internal Service	27,355	50,925	35,023	35,023	973,497
Transfers Out	-	-	-	-	-
Project Expenditure	-	-	-	-	-
RECREATION	599,148	1,098,940	1,618,823	1,406,613	2,808,597

010 2110 RECREATION	554,987	522,839	463,468	587,589	285,551
010 2115 CULTURAL CENTER	-	549,588	766,023	519,743	1,287,874
010 2120 AQUATICS CENTER	-	-	354,890	276,354	1,179,260
010 2210 VOLUNTEER PROGRAM	44,161	26,512	34,442	22,927	55,912
DEPARTMENT TOTAL	599,148	1,098,940	1,618,823	1,406,613	2,808,597

¹ FY03/04 Adopted Budget: \$1,503,058



[010-2110] Recreation and Community Services

ACTIVITY DESCRIPTION

The Recreation and Community Services Division (RCSD) is responsible for implementing a wide range of recreation and leisure services desired in the community. The Division staffs the Parks and Recreation Commission and Library Commission as well as the Youth Advisory Committee and the Senior Advisory Committee. The Recreation Division strives to provide a wide range of leisure experiences including classes, special events, and community programming. Using the master plan as a guide, the Recreation Division promotes programming in the following areas: visual and performing arts; summer park programs; youth-oriented field trips; special events and City Festivals; and the youth scholarship program. Recreation Services has taken a lead or significant role in several public community projects including business plans, site selection, conceptual design, applying for outside funding resources, and facility operator considerations for the following capital projects: Library, Indoor Community Recreation Center, Aquatics Center and Sports Complex. Upon moving into the new Community and Cultural Center in FY02/03, the Recreation Division added facility rentals as one of its primary functions. Facility rentals includes rental of the various rooms located in the Community Center, Community Playhouse, Amphitheater and Children's Pavilion. The Division also continued to provide recreation and leisure classes at the Community Center. In FY03/04, participation in recreation classes increased over 300% over FY 02/03. The RCSD expanded in FY03/04 by the addition of the Aquatics Center. During FY03/04 the Division added an Aquatics Supervisor, Recreation Coordinator-Aquatics, Pool Technician. Over 40 part-time temporary Recreation Leaders, Lifeguards and Swim Instructor were also hired. The Grand Opening of the Aquatics Center is scheduled for the end of FY03/04.

In FY04/05 the RCSD will change its structure in order to increase efficiency and improve tracking and monitoring of revenue streams through fee class enrollment and facility rentals. Costs associated with the overall administration of the RCSD will be attributed to department code 2110. These costs include 50% of the RCSD Manager's compensation and 50% of the Management Analyst's compensation. In addition to personnel costs, the costs associated with administration of three Commissions/Committees will be charged to RCSD administration. These include the Parks and Recreation Commission, Library Commission and Senior Advisory Committee. Administration and supervision of the following capital improvement projects will also be charged to RCSD administration: Indoor Recreation Center, Library, Sports Complex, and the Sobrato Soccer Complex.

All costs associated with facility rentals, fee-based classes and community programs will be charged to department code 2115-Community and Cultural Center. This includes personnel responsible for facility rentals, classes and programs. Revenue received for facility rentals and fee based classes will be credited to the Community and Cultural Center.

In accordance with the City Manager's, "Guide to Developing a Sustainable Budget Strategy", the RCSD has identified \$140,000 in General Fund budget reductions for FY04/05. These include the following:

- \$30,000 reduction in hours allocated for the 2 Temporary Event Coordinator positions
- \$17,500 for the elimination of the subsidized Summer Playground Program
- \$16,000 for the elimination of the community services component of the Administrative Analyst position
- \$44,000 reduction in RCSD by redistributing the work of the Management Analyst position. The position will now be 50% RCSD and 50% Community Development
- \$25,000 for the elimination of front office hours staffed by temporary employees
- \$7,500 for elimination of After-School Program (includes temporary staff and supplies)

[010-2110] Recreation and Community Services

FY 2003/2004 HIGHLIGHTS

- Implemented successful subsidized Summer Recreation Program June-Aug 2003 at the Community & Cultural Center with over 500 participants
- Increased recreation class offerings from 175 to over 300 classes
- Facility rentals continued to grow. By January 2004, all Saturday dates through December 2004 had been reserved for parties and special events.
- Held successful Summer Concert Series in Amphitheater with over 3000 participants
- Held over 18 city-wide festivals and celebrations in calendar year 2003
- Served as lead agency and submitted grant application for Cycle III of the state wide competitive Prop 14 Bond for library construction
- Hired Aquatics Supervisor for Aquatics Center
- Hired Recreation Coordinator and Office Assistant II for Aquatics Center
- Hired Pool Technician for Aquatics Center
- Held a Job Fair to recruit and hire Lifeguards, Swim Instructors, and Recreation Leaders for both Aquatics Center and Recreation Programs.
- Held 4th Annual Art ala Carte at Community and Cultural Center with over 1000 participants
- Volunteer Services moved to Recreation Division from Human Resources
- Served as staff to Library Sub-Committee to identify site for new Morgan Hill Library
- Negotiated contract with Morgan Hill Aquatics Foundation for operation of Aquatics Center during winter months
- Acquired recreation software, RecWare Safari for tracking and monitoring class registrations, revenue received, refunds processed and scheduling of park reservations and sports field scheduling. Will also provide on-line registration
- Showcased the Center through the Evening of the Arts program bringing in talent from all over Silicon Valley to market as a performing venue

FY2004/2005 WORKPLAN

- Begin design plans for new 28,000 square foot Morgan Hill Library following City Council direction
- Complete operational plan for Indoor Recreation Center
- Begin negotiations with South Valley Civic Theater for rental of Community Playhouse. Current contract expires December 31, 2005.

FY 2004/05 ACTIVITY GOALS

- Implement Summer Recreation Program at both the Community and Cultural Center and Aquatics Center
- Begin sports complex design phase
- Support all activities at Aquatics Center during first season to ensure 100% cost recovery
- Continue to provide support in identification of new site for new library
- Support Sobrato Soccer Complex located adjacent to high school in San Jose Greenbelt

FINANCIAL COMMENTS

Beginning in FY 04/05 all personnel and supplies expenditures for Recreation Administration will be charged to department code 2110.

[010-2110] Recreation and Community Services

<u>PERFORMANCE MEASURES</u>	<u>FY 02/03</u> <u>ACTUAL</u>	<u>FY 03/04</u> <u>PROJ.</u>	<u>FY 04/05</u> <u>GOAL</u>
• Percentage of classes rated by customers as “Good” to “Excellent” on a scale of 1 to 5	N/A	65%	70%
• Percentage of classes that meet enrollment and are held vs. percentage of total classes offered	N/A	53%	80%
• Percentage of classes implemented which meet cost recovery goal of instructor fee and room rental	N/A	85%	100%



[010-2110] Recreation and Community Services

Acct	Description	01/02	02/03	03/04	03/04	04/05
		Actuals	Actuals	Current Budget	Estimated Actual	Adopted Budget
41100	SALARIES-GENERAL	200,631	156,886	118,183	148,684	140,714
41270	SALARIES-PART-TIME	79,646	91,225	142,498	149,920	-
41320	SALARIES-OTHER PAYOUT	4,719	2,350	2,700	-	-
41490	OVERTIME-GENERAL	303	131	-	-	-
41500	OVERTIME-SAFETY	88	-	-	-	-
41560	UNEMP. INS	28	21	400	-	695
41620	RETIREMENT-GENERAL	6,082	8,373	8,364	-	14,774
41690	DEFERRED COMPENSATION	5,029	3,676	1,631	-	3,850
41700	GROUP INSURANCE	20,713	14,314	15,024	-	17,079
41701	MEDICARE	6,167	6,846	1,714	-	2,040
41730	INCOME PROTECTION INS	3,399	2,910	1,752	-	1,770
41760	WORKERS COMP	6,342	5,573	3,664	10,769	5,886
41799	BENEFITS	2,446	1,402	-	59,720	-
41900	CONTRACT LABOR	35,902	13,416	-	-	-
41000s	<<EMPLOYEE SERVICES>>	371,495	307,123	295,930	369,093	186,808
42214	TELEPHONE	3,344	2,122	1,800	2,100	350
42228	GASOLINE & OIL	139	165	250	150	150
42231	CONTRACT SERVICES	94,182	120,080	92,427	147,000	75,000
42240	RENTALS - OUTSIDE	25	192	400	-	200
42244	STATIONERY & OFFICE SUPPLIES	1,722	3,291	2,500	2,700	838
42245	COMPUTER HARDWARE-NON CAPITAL	-	-	-	-	450
42246	COMPUTER SOFTWARE-NON CAPITAL	-	-	-	-	650
42248	OTHER SUPPLIES	14,451	15,996	26,038	9,000	-
42250	ADVERTISING	7,916	1,728	5,300	3,200	-
42252	PHOTOCOPYING	231	124	500	1,100	500
42254	POSTAGE & FREIGHT	2,413	7,009	7,500	7,456	500
42257	PRINTING	8,297	10,562	8,700	11,116	-
42261	AUTO MILEAGE	378	647	500	235	350
42291	PRIOR YEAR REFUND	274	-	-	-	-
42299	OTHER EXPENSE	45	-	-	-	-
42306	YOUTH ADVISORY COM.	-	51	-	1,600	625
42408	TRAINING & EDUCATION	30	64	800	750	800
42415	CONFERENCE & MEETINGS	5,697	3,573	3,500	2,100	1,200
42423	MEMBERSHIP & DUES	851	480	800	810	600
42435	SUBSCRIPTION & PUB.	172	210	250	100	250
42440	BOARDS & COMMISSIONS	1,933	2,119	2,200	2,500	1,875
42526	MAINT - AUTO/TRUCKS	771	1,210	2,000	506	-
42531	MAINT - FURNITURE/OFFICE EQUIPMENT	1,070	1,001	1,000	-	-
42550	FLEET REPLACEMENT	4,854	9,305	4,245	4,245	-
42000s	<<SUPPLIES & SERVICES>>	148,794	179,930	160,710	196,668	84,338

[010-2110] Recreation and Community Services

Acct	Description	01/02 Actuals	02/03 Actuals	03/04 Current Budget	03/04 Estimated Actual	04/05 Adopted Budget
43825	MACHINERY/EQUIPMENT	-	1,335	-	-	-
43835	FURNITURE/OFFICE EQUIPMENT	-	779	-	-	-
43840	COMPUTER EQUIPMENT	7,044	4,243	-	-	-
43845	COMPUTER SOFTWARE	-	-	-	15,000	-
43000s	<<CAPITAL OUTLAY>>	7,044	6,357	-	15,000	-
44994	LEASE PAYMENTS	300	305	-	-	-
44000s	<<DEBT SERVICE>>	300	305	-	-	-
45003	GENERAL LIABILITY INS	4,722	3,167	1,610	1,610	1,189
45004	BLDG MAINT SERVICES	11,336	9,829	-	-	2,112
45006	FLEET REPLACEMENT	-	-	-	-	6,515
45009	I.S. SERVICES	11,297	16,128	5,218	5,218	4,589
45000s	<<INTERNAL SERVICES>>	27,355	29,124	6,828	6,828	14,405
	RECREATION	554,987	522,839	463,468	587,589	285,551

[010-2115] Community and Cultural Center

ACTIVITY DESCRIPTION

The Community and Cultural Center will continue to be the focal point for performing, visual, and creative arts for the Morgan Hill community. The center was designed with artistic expression in mind and will accommodate dance, movement, ballet and yoga in the dance room; ceramics and jewelry arts in the ceramics room; art, watercolor, oils in the art room; as well as special banquets, special events, public receptions in the multi-purpose room. A separate children's activity room houses children's craft classes, Birthday Party packages, play interaction, introduction to music, and parent-child class offerings.

The outdoor amphitheater area, complete with a water-play feature is available for outdoor events and performances, as well as casual park use. Youth and adult classes, special events, City and community festivals, weddings, receptions and other community gatherings can take place in a variety of indoor and outdoor spaces at the Center. The Community Playhouse will continue to be the stage for theatrical and musical performances. The South Valley Civic Theater has been successfully incorporated as the Home Theater Company.

FY 2003/2004 HIGHLIGHTS

- Supported and supervised all facility rentals
- Implemented Birthday Party Package in Children's Pavilion
- Hired Part-time temporary Art Specialist to promote the arts at the Community and Cultural Center
- Received state-wide award in Facility Design-Community Centers from the California Parks and Recreation Society for the Community and Cultural Center
- Developed and implemented marketing strategy for Community and Cultural Center and Playhouse
- Redesigned website to include virtual tour of facility
- Revised Administrative Analyst's functions to include coordinating playhouse use to increase rentals
- Supported over 18 city-wide festivals and events held at the Community Center
- Acquired recreation/scheduling software, RecWare Safari, for tracking and monitoring all facility reservations revenue received, and refunds processed

FY 2004/05 WORKPLAN

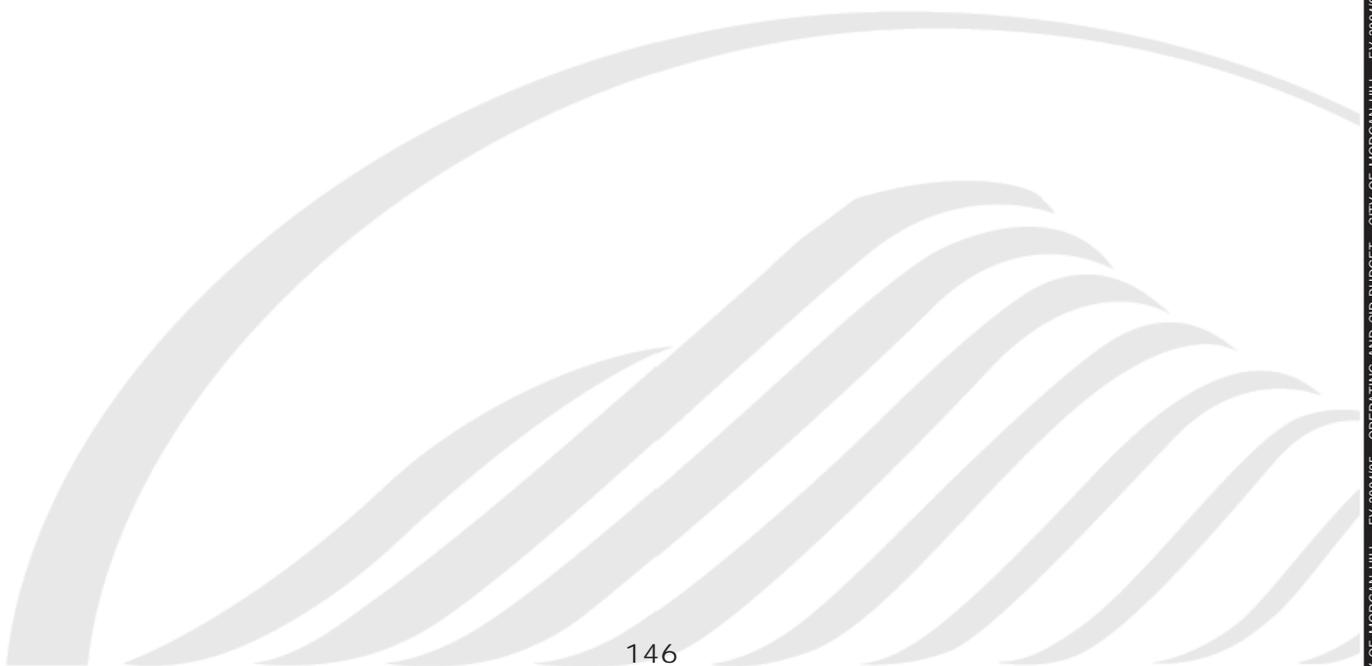
- Prepare report outlining issues and recommendations to fund scholarships and community programming without impacting the General Fund to include: corporate support, fundraisers, in-kind donations
- Community and Cultural Center Operations Review
 - Compile monthly information and outline issues and potential future development of the Community & Cultural Center
 - Assess recommendations and present report to PRC
 - Report to City Manager on issue review, strategic planning and capital needs

FY 2004/05 ACTIVITY GOALS

- Promote fine arts in partnership with Arts Council of Silicon Valley
- Continue to expand recreation class offerings
- Continue to increase facility rentals
- Implement marketing plan to target business community for facility rentals
- Support Aquatics Center first summer season

[010-2115] Community and Cultural Center

Acct	Description	01/02 Actuals	02/03 Actuals	03/04 Current Budget	03/04 Estimated Actual	04/05 Adopted Budget
41100	SALARIES-GENERAL	-	158,573	300,516	196,717	263,881
41270	SALARIES-PART-TIME	-	47,905	92,720	54,129	95,280
41320	SALARIES-OTHER PAYOUT	-	9,505	3,000	-	5,000
41490	OVERTIME-GENERAL	-	3,561	2,000	-	-
41560	UNEMP. INS	-	24	784	-	4,282
41620	RETIREMENT-GENERAL	-	5,403	14,360	-	35,496
41690	DEFERRED COMPENSATION	-	3,413	7,037	-	2,295
41700	GROUP INSURANCE	-	18,230	33,772	-	43,989
41701	MEDICARE	-	5,348	4,357	-	3,826
41730	INCOME PROTECTION INS	-	2,888	4,358	-	4,038
41760	WORKERS COMP	-	4,833	9,316	9,473	16,870
41799	BENEFITS	-	1,007	-	52,678	-
41000s	<<EMPLOYEE SERVICES>>	-	260,691	472,220	312,997	474,957
42208	ELECTRIC	-	22,850	-	-	-
42214	TELEPHONE	-	7,717	7,000	-	10,997
42231	CONTRACT SERVICES	-	38,198	177,215	92,812	140,739
42240	RENTALS - OUTSIDE	-	-	-	-	500
42244	STATIONERY & OFFICE SUPPLIES	-	1,548	10,000	4,100	10,450
42245	COMPUTER HARDWARE-NON CAPITAL	-	-	-	-	1,200
42246	COMPUTER SOFTWARE-NON CAPITAL	-	-	-	-	500
42248	OTHER SUPPLIES	-	12,220	20,000	21,500	37,700
42250	ADVERTISING	-	2,324	15,706	15,000	18,600
42252	PHOTOCOPYING	-	-	-	450	500
42254	POSTAGE & FREIGHT	-	4	-	-	-
42408	TRAINING & EDUCATION	-	1,906	2,000	2,200	2,500
42423	MEMBERSHIP & DUES	-	255	2,000	350	400
42510	MAINT - BLDGS/IMPROVEMENTS	-	516	-	500	2,450
42000s	<<SUPPLIES & SERVICES>>	-	87,539	233,921	136,912	226,536
43825	MACHINERY/EQUIPMENT	-	4,799	29,879	24,304	17,500
43835	FURNITURE/OFFICE EQUIPMENT	-	175,000	2,000	1,500	1,500
43840	COMPUTER EQUIPMENT	-	-	-	6,027	-
43845	COMPUTER SOFTWARE	-	-	-	10,000	-
43000s	<<CAPITAL OUTLAY>>	-	179,799	31,879	41,831	19,000
45003	GENERAL LIABILITY INS	-	11,856	17,566	17,566	3,946
45004	BLDG MAINT SERVICES	-	-	-	-	551,198
45009	I.S. SERVICES	-	9,704	10,437	10,437	12,237
45000s	<<INTERNAL SERVICES>>	-	21,560	28,003	28,003	567,381
	COMMUNITY & CULTURAL CENTER	-	549,588	766,023	519,743	1,287,874



[010-2120] Aquatics Center

ACTIVITY DESCRIPTION

The Morgan Hill Aquatic Center opened to the public in May 2004. The Aquatic Center will be jointly operated with the Morgan Hill Aquatic Foundation, Inc. (a non-profit organization). The City of Morgan Hill will operate the Center during the summer months and the Aquatic Foundation will operate the Center during the winter. The Aquatics Center offers recreational swim as well as competitive events and exercise classes. A summer recreation camp is offered in partnership with recreation staff from the CCC, The Center is also available for special events such as corporate picnics, birthday parties and special events. The Aquatic Supervisor, Recreation Coordinator, Pool Technician, Office Assistant II and custodial staff will be housed at the Aquatic Center. The features of the Aquatic Center are outlined below:

1. A 5,316 square foot recreation activity pool, which includes a 4 tiered watercolor interactive play structure, a single slide adjacent.
2. An 800 square foot spray-ground with interactive play features in another area adjacent to a shaded picnic area.
3. A six-lane instructional pool that will be available for swimming lessons and open to the general public
4. A 50-meter deep-water pool will be available to team competition and practice uses as well for use by the general public.
5. Food concessions operated by the City
6. Lawn and deck area for special group rentals
7. Family changing rooms
8. Two event rooms for rental, birthday parties, training and class purposes.

FY 2003/2004 HIGHLIGHTS

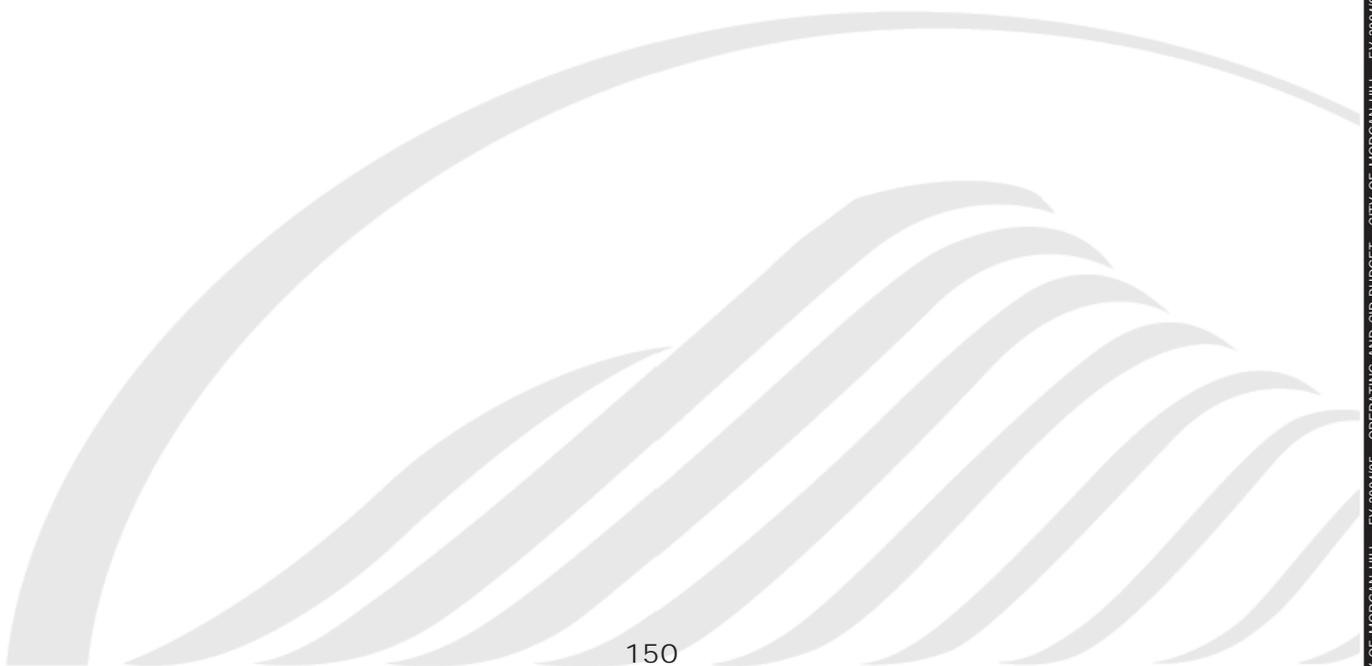
- Hired Aquatic Center staff including Aquatic Supervisor, Recreation Coordinator, Pool Technician, and Office Assistant II
- Entered into agreement with Morgan Hill Aquatic Foundation, Inc. to operate the pools in the off-season.
- Planned and implemented Aquatic Center Grand Opening
- Developed marketing strategy for Aquatic Center
- Developed class and activity schedule to be included in Recreation Guide
- Held successful Job Fair in partnership with Recreation staff and HR to recruit and hire lifeguards, swim instructors, Recreation Leaders, and food concessions staff
- Trained life guards and swim instructor in water safety and CPR
- Established day-use and class fees
- Developed operating policies and procedures for Center
- Implemented RecWare Safari program so both centers would be compatible for class and activity registration regardless of location

FY 2004/2005 WORKPLAN

- Measure revenue received at 100 days, 6 months and 9 months against actual operational costs and make adjustments for maximum operating days with 100% cost recovery

[010-2120] Aquatics Center

Acct	Description	01/02 Actuals	02/03 Actuals	03/04 Current Budget	03/04 Estimated Actual	04/05 Adopted Budget
41100	SALARIES-GENERAL	-	-	79,833	79,833	195,808
41270	SALARIES-PART-TIME	-	-	90,332	60,332	250,000
41490	OVERTIME-GENERAL	-	-	-	-	10,000
41560	UNEMP. INS	-	-	592	-	3,644
41620	RETIREMENT-GENERAL	-	-	5,179	-	25,337
41690	DEFERRED COMPENSATION	-	-	-	-	2,105
41700	GROUP INSURANCE	-	-	12,066	-	34,805
41701	MEDICARE	-	-	-	-	2,839
41730	INCOME PROTECTION INS	-	-	-	-	2,949
41760	WORKERS COMP	-	-	-	2,464	13,359
41799	BENEFITS	-	-	-	17,837	-
41800	UNIFORM	-	-	-	-	10,000
41000s	<<EMPLOYEE SERVICES>>	-	-	188,002	160,466	550,846
42214	TELEPHONE	-	-	-	3,500	10,000
42231	CONTRACT SERVICES	-	-	91,888	-	10,000
42244	STATIONERY & OFFICE SUPPLIES	-	-	-	3,000	8,000
42245	COMPUTER HARDWARE-NON CAPITAL	-	-	-	-	2,000
42248	OTHER SUPPLIES	-	-	-	78,474	75,000
42250	ADVERTISING	-	-	35,000	22,000	30,000
42254	POSTAGE & FREIGHT	-	-	-	264	10,000
42299	OTHER EXPENSE	-	-	-	-	75,000
42408	TRAINING & EDUCATION	-	-	-	8,650	6,000
42423	MEMBERSHIP & DUES	-	-	-	-	2,500
42000s	<<SUPPLIES & SERVICES>>	-	-	126,888	115,888	228,500
43825	MACHINERY/EQUIPMENT	-	-	-	-	5,000
43835	FURNITURE/OFFICE EQUIPMENT	-	-	40,000	-	5,000
43000s	<<CAPITAL OUTLAY>>	-	-	40,000	-	10,000
45003	GENERAL LIABILITY INS	-	-	-	-	11,335
45004	BLDG MAINT SERVICES	-	-	-	-	370,931
45009	I.S. SERVICES	-	-	-	-	7,648
45000s	<<INTERNAL SERVICES>>	-	-	-	-	389,914
	AQUATICS CENTER	-	-	354,890	276,354	1,179,260



[010-2210] Volunteer Services

ACTIVITY DESCRIPTION

Formally established in 1995, the Volunteer Services Program (VSP) is responsible for the recruitment, assignment, orientation, training, and recognition of City of Morgan Hill volunteers.

FY 2003/04 HIGHLIGHTS

- Placed long-term and short-term volunteers in all City departments to assist staff with special events, special projects, data entry, records maintenance, bulk mailings, filing, parks projects, landscaping, curb painting, and sand-bagging.
- Continued to promote volunteer opportunities with local non-profit organizations by making referrals when appropriate, networking, and updating the South County Volunteer Opportunities brochure.
- Coordinated the Adopt-a-Planter Program; now in its fifth year and involving approximately 75 City volunteers.
- Partnered with Community Solutions and sponsored a holiday Giving Tree where gifts and food for over 150 individuals were provided by staff and citizens
- Coordinated the adoption of Civic Center Park by Leadership Morgan Hill, Class of 2004.
- Moved Volunteer Services from Human Resources to RCSD

FY 2004/05 ACTIVITY GOALS

- Strengthen the volunteer program in the Police Department with the development of an all-volunteer Neighborhood Watch program as well as additional opportunities for citizen involvement.
- Continue to create, promote and support meaningful volunteer opportunities and placements of a diverse group of volunteers in all City departments and in community organizations by internal networking and community outreach.
- Increase internal and external promotion of the Volunteer Program through the City's website and personal contact with citizens and staff.

FINANCIAL COMMENTS

The financial activity associated with the Volunteer Services Program is reflected within the General Fund in 2004/05.

<u>PERFORMANCE MEASURES</u>	<u>FY 03/04</u> <u>ACTUAL</u>	<u>FY 04/05</u> <u>PROJ.</u>	<u>FY 05/06</u> <u>GOAL</u>
• Number of external requests for municipal volunteer opportunities to the number of actual placements	40 to 25	45 to 30	N/A
• Number internal requests for volunteers to the number of actual placements	20 to 19	25 to 20	N/A

[010-2210] Volunteer Services

Acct	Description	01/02 Actuals	02/03 Actuals	03/04 Current Budget	03/04 Estimated Actual	04/05 Adopted Budget
41100	SALARIES-GENERAL	-	-	15,005	-	31,356
41270	SALARIES-PART-TIME	30,177	19,100	1,500	15,860	-
41320	SALARIES-OTHER PAYOUT	113	93	-	-	-
41490	OVERTIME-GENERAL	-	-	1,500	-	-
41560	UNEMP. INS	-	3	74	32	192
41620	RETIREMENT-GENERAL	2,148	1,528	1,494	2,088	4,899
41690	DEFERRED COMPENSATION	1,226	857	-	955	-
41700	GROUP INSURANCE	3,098	1,840	1,740	1,883	4,065
41701	MEDICARE	462	312	218	348	455
41730	INCOME PROTECTION INS	493	298	254	301	435
41760	WORKERS COMP	705	495	465	508	1,314
41810	UNIFORM-RESERVES	745	-	-	-	-
41000s	<<EMPLOYEE SERVICES>>	39,165	24,526	22,250	21,975	42,716
42214	TELEPHONE	557	238	350	175	199
42231	CONTRACT SERVICES	-	12	-	100	-
42244	STATIONERY & OFFICE SUPPLIES	258	11	500	-	500
42245	COMPUTER HARDWARE-NON CAPITAL	-	-	-	-	5,000
42248	OTHER SUPPLIES	467	128	5,000	120	50
42250	ADVERTISING	81	-	-	-	100
42252	PHOTOCOPYING	22	7	77	55	-
42254	POSTAGE & FREIGHT	179	40	80	10	-
42257	PRINTING	-	-	-	-	3,000
42261	AUTO MILEAGE	-	-	500	50	2,000
42299	OTHER EXPENSE	2,743	668	3,000	250	500
42408	TRAINING & EDUCATION	-	-	1,943	-	50
42415	CONFERENCE & MEETINGS	-	-	500	-	-
42423	MEMBERSHIP & DUES	-	-	50	-	-
42531	MAINT - FURNITURE/OFFICE EQUIPMENT	503	465	-	-	-
42000s	<<SUPPLIES & SERVICES>>	4,810	1,567	12,000	760	11,399
44994	LEASE PAYMENTS	186	177	-	-	-
44000s	<<DEBT SERVICE>>	186	177	-	-	-
45003	GENERAL LIABILITY INS	-	242	192	192	267
45009	I.S. SERVICES	-	-	-	-	1,530
45000s	<<INTERNAL SERVICES>>	-	242	192	192	1,797
VOLUNTEER SERVICES		44,161	26,512	34,442	22,927	55,912

Human Resources

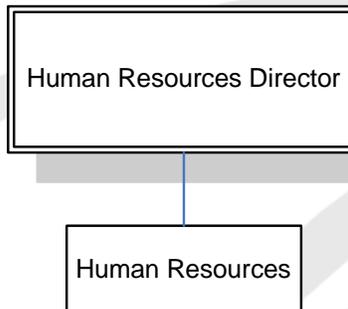
[010-2200]

Appropriations Summary

	99/00 Actuals	00/01 Actuals	02/03 Current Budget ¹	02/03 Estimated Actuals	03/04 Proposed Budget
Salaries	359,808	400,561	425,271	414,294	373,252
Supplies & Services	96,326	99,217	114,101	100,700	86,500
Capital Outlay	1,695	4,621	-	-	-
Debt Services	176	167	-	-	-
Internal Service	34,200	41,750	43,315	43,315	25,665
Transfers Out	-	-	-	-	-
Project Expenditure	-	-	-	-	-
HUMAN RESOURCES	492,204	546,316	582,687	558,309	485,417

010 2200 HUMAN RESOURCES	492,204	546,316	582,687	558,309	485,417
DEPARTMENT TOTAL	492,204	546,316	582,687	558,309	485,417

¹ FY03/04 Adopted Budget: \$582,687





[010-2200] Human Resources

ACTIVITY DESCRIPTION

The Human Resources Department provides all employment-related services to City departments and employees, and implements Federal, State, and court mandates and requirements related to employment. These services include: designing and coordinating City-wide training and development for employees; managing City-wide organizational development efforts; leading the City's Employee Recruitment and Retention Committee; recruiting and selecting qualified employees; administering the City's benefit programs; administering workers' compensation and safety programs; maintaining the City's classification and salary structure; negotiating and administering the various memoranda of understanding (MOUs) between the City and employee unions; and problem-solving and employee assistance activities.

The Human Resources Department maintains all personnel files and records, including the performance evaluation records. (Note: though managed by the Human Resources Department, workers' compensation and unemployment insurance details can be found in separate areas of the budget document as the finances of those programs are tracked separately.) The Human Resources Department takes the lead in guiding the City to reach its vision as an organization that EXCELS at meeting challenges, ENCOURAGES innovation, PROVIDES opportunities for professional growth, and RECOGNIZES the contributions of employees.

FY 2003/04 HIGHLIGHTS

Training and Organizational Development

- Provided Safety in the Workplace, Customer Service and Conflict Management Training to all front-line employees
- Provided team training to several intact work groups including communication and conflict resolution skills
- Provided HR Office training to all HR staff

Employee Relations

- Implemented the changes from the three new MOUs effective July 1, 2004 and the 03-04 Management Resolution
- Conducted regular and as-needed HR office hours out in the departments
- Assisted departments with employee discipline and other issues

Employee Recruitment and Selection

- Conducted recruitment and selection processes for new, regular aquatics positions
- Designed and operated Aquatics Job Fair with the help of other City departments in order to meet the large seasonal staffing needs for aquatics and the CCC

Benefits Administration/Employee Safety and Wellness

- Met with all City employees in individual meetings during open enrollment to explain benefits and update emergency contact information
- Changed benefits broker to provide enhanced service to employees and achieved an increase in dental benefit for employees for less premium
- Participated in a consortium (Bay Area Medical Review Group) to review health benefit insurance options

Administrative Support

- Completed recording of personnel records for storage

[010-2200] Human Resources

<u>PERFORMANCE MEASURES</u>	<u>FY 02/03</u> <u>ACTUAL</u>	<u>FY 03/04</u> <u>PROJ.</u>	<u>FY 04/05</u> <u>GOAL</u>
• Cost of providing 24 hours of enhanced training, beyond legal requirements, to all employees per year	\$37,307	\$45,000	\$45,000
• Number of recruitment processes which included selection criteria such as: flexibility, change management, attitude to work, fit for the organization, etc., in addition to the task requirements of the position	4 of 4	eliminated	eliminated
• Number of employees recognized for exemplary customer service, new ways of accomplishing work, successful cost reducing ideas, years of service	125	eliminated	eliminated
• Number of HR staff hours spent in training, communicating and consulting to the number of HR staff hours spent recruiting to fill vacant positions.	3.5 to 4	3.5 to 4	3.5 to 4
• Cost to recruit and hire a new employee.	\$2,500	\$2,500	eliminated
• Percent of increase in customer satisfaction based on employee opinion survey follow-up	n/a	15%	5%
• Average number of training hours provided to employees	n/a	n/a	24

Finance

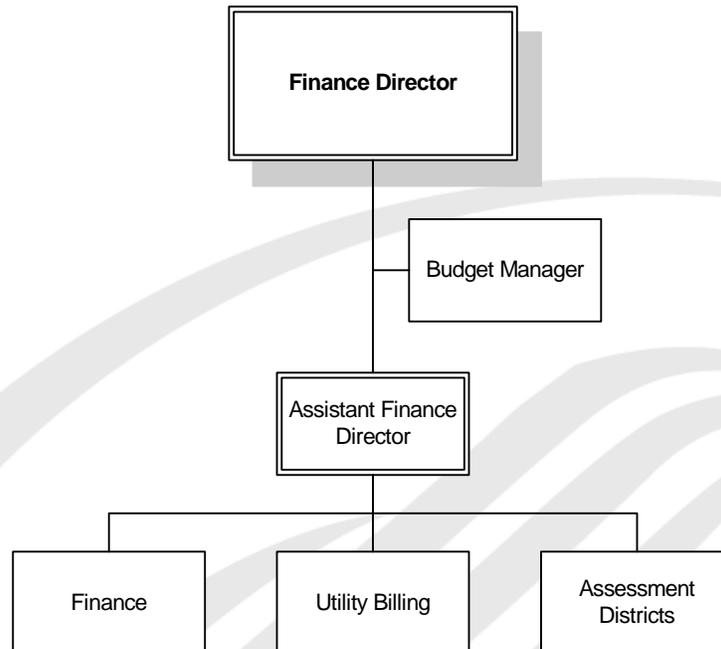
[010-2510] [650-5750]

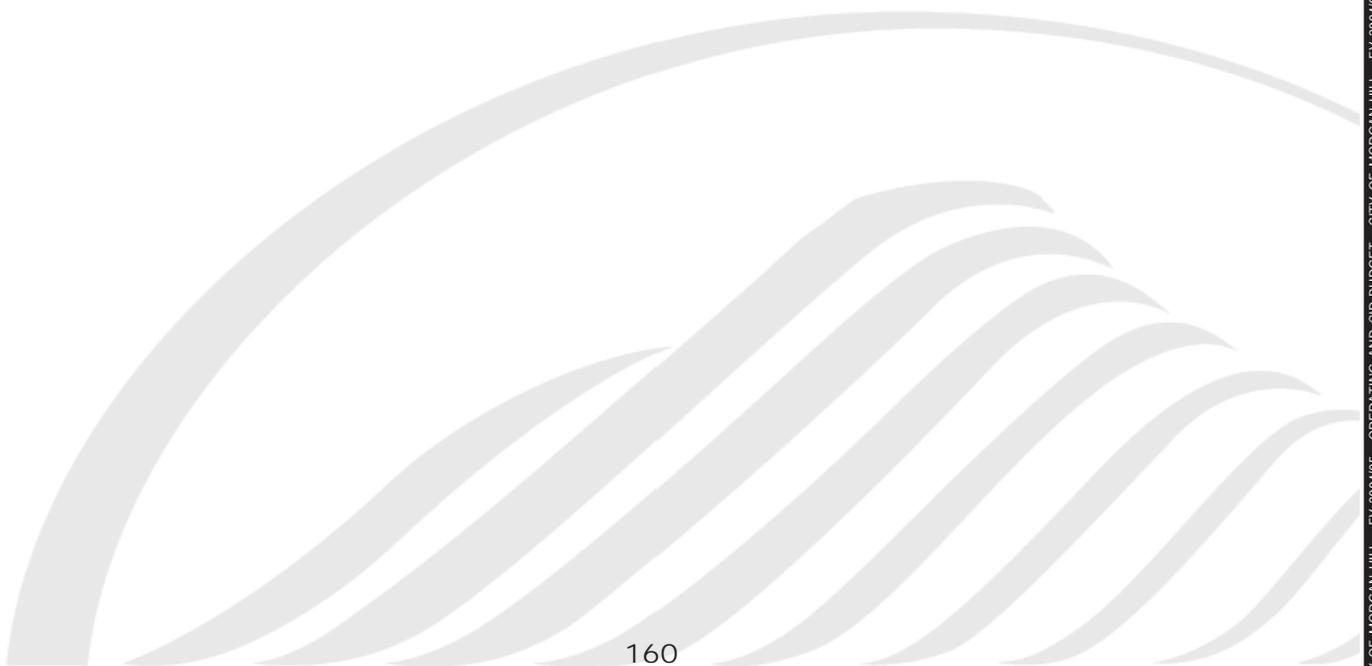
Appropriations Summary

	01/02 Actuals	02/03 Actuals	03/04 Current Budget ¹	03/04 Estimated Actuals	04/05 Adopted Budget
Salaries	768,591	844,614	909,807	909,297	991,209
Supplies & Services	308,405	198,386	237,968	228,228	229,844
Capital Outlay	14,190	89,329	-	-	-
Debt Services	130,540	138,393	-	-	-
Internal Service	104,492	129,943	138,311	138,311	98,555
Transfers Out	372,877	-	-	-	-
Project Expenditure	-	-	-	-	-
FINANCE	1,699,095	1,400,664	1,286,086	1,275,836	1,319,608

010 2510 FINANCE	1,035,012	1,005,030	891,223	914,962	927,325
650 5750 UTILITY BILLING	291,206	395,634	394,863	360,874	392,283
720 2510 FINANCE	372,877	-	-	-	-
DEPARTMENT TOTAL	1,699,095	1,400,664	1,286,086	1,275,836	1,319,608

¹ FY03/04 Adopted Budget: \$1,280,776





[010-2510] Finance

ACTIVITY DESCRIPTION

The Finance Department maintains the financial records of the City and prepares financial and statistical data applicable to all funds of the City and Redevelopment Agency (RDA). Responsibilities include cash management; investment; budgeting; financial forecasting; accounting; cashiering operations; business license administration; debt service management; payroll; purchasing; payables; receivables (including billing and collection of City accounts); providing financial system information and support to other departments; and risk management.

The Finance Department works closely with the City Treasurer to assure timely and appropriate investment of City funds, in compliance with the City's Investment Policy; to implement efficient cash management procedures to minimize idle cash holdings; to maintain banking relationships for City business; and to address financial issues related to the concerns of the Finance and Audit Committee and City Council.

FY 2003/04 HIGHLIGHTS

- Prepared annual financial statements in GASB 34 format, including 'Management's Discussion and Analysis', new government-wide financial statements and additional budgetary reporting.
- The City received awards from the Government Finance Officers Association (GFOA) and the California Society of Municipal Finance Officers (CSMFO) for achieving the highest standards in governmental accounting and financial reporting for our FY 2002/03 Comprehensive Annual Financial Report.
- The City received awards from CSMFO and GFOA for excellence in budgeting for our FY2003/04 budget.
- Reviewed records retention requirements and procedures for efficiency and effectiveness
- Prepared analysis and study to update community development fees; development impact fees; water user fees; and all other fees collected by the City.

FY 2004/05 WORKPLAN

- Financial System Software Upgrade: Develop agreements, implementation plan and data conversion to migrate to a new system by January 31, 2005.
- Update administrative policy on purchasing and provide information to departments on changes and implementation of revised purchasing ordinance.
- Evaluate customer service quality in the areas of utility billing, business licensing, payroll accounting and reporting, accounts payable and purchase order processing.
- Conduct comprehensive physical inventory of fixed assets.

FY 2004/05 ACTIVITY GOALS

- Work with all departments to take a comprehensive physical inventory of fixed assets.
- Review the need for the scheduled January 1, 2005 water rate increase by analyzing the current financial condition of the water enterprise; report to the City Council on the need to implement the planned 2% increase.

[010-2510] Finance

Acct	Description	01/02 Actuals	02/03 Actuals	03/04 Current Budget	03/04 Estimated Actual	04/05 Adopted Budget
41100	SALARIES-GENERAL	442,059	504,007	537,937	499,810	550,556
41210	SALARIES-ELECTED/APPT	2,400	2,409	2,400	2,400	2,400
41270	SALARIES-PART-TIME	39,495	43,507	-	40,191	-
41320	SALARIES-OTHER PAYOUT	11,043	8,449	12,000	12,000	13,000
41490	OVERTIME-GENERAL	2,279	180	-	1,602	-
41560	UNEMP. INS	-	45	1,125	-	2,088
41620	RETIREMENT-GENERAL	18,742	21,454	34,630	-	66,590
41690	DEFERRED COMPENSATION	9,622	11,163	10,135	-	10,537
41700	GROUP INSURANCE	38,321	47,781	51,897	-	68,558
41701	MEDICARE	6,063	6,524	7,800	-	7,983
41730	INCOME PROTECTION INS	6,500	8,288	6,391	-	6,366
41760	WORKERS COMP	11,713	13,041	16,125	16,105	22,201
41799	BENEFITS	1,957	1,927	-	130,176	-
41900	CONTRACT LABOR	4,179	-	-	-	-
41000s	<<EMPLOYEE SERVICES>>	594,371	668,776	680,440	702,284	750,279
42214	TELEPHONE	9,432	8,062	9,500	6,350	8,500
42231	CONTRACT SERVICES	151,204	39,695	35,500	35,500	46,560
42233	AUDIT FEES	16,705	16,198	18,715	18,500	15,000
42236	BANK CARD SERVICE FEE	17,522	21,933	22,000	37,800	5,600
42244	STATIONERY & OFFICE SUPPLIES	22,046	17,127	21,615	18,550	20,615
42245	COMPUTER HARDWARE-NON CAPITAL	-	-	-	-	5,500
42248	OTHER SUPPLIES	11	300	-	-	-
42250	ADVERTISING	410	1,497	500	500	500
42252	PHOTOCOPYING	146	101	1,750	1,490	1,750
42254	POSTAGE & FREIGHT	6,815	7,625	7,300	8,000	8,000
42257	PRINTING	6,336	4,883	6,700	3,500	4,700
42261	AUTO MILEAGE	203	253	300	190	300
42265	AUTO ALLOWANCE	(37)	-	-	-	-
42408	TRAINING & EDUCATION	1,867	2,419	4,000	2,000	4,000
42415	CONFERENCE & MEETINGS	2,673	2,798	4,000	2,000	4,000
42423	MEMBERSHIP & DUES	1,180	625	975	820	900
42435	SUBSCRIPTION & PUB.	1,380	482	600	500	500
42531	MAINT - FURNITURE/OFFICE EQUIPMENT	2,052	1,515	500	150	150
42000s	<<SUPPLIES & SERVICES>>	239,944	125,514	133,955	135,850	126,575
43835	FURNITURE/OFFICE EQUIPMENT	1,701	-	-	-	-
43840	COMPUTER EQUIPMENT	6,333	-	-	-	-
43000s	<<CAPITAL OUTLAY>>	8,035	-	-	-	-
44994	LEASE PAYMENTS	130,429	138,288	-	-	-
44000s	<<DEBT SERVICE>>	130,429	138,288	-	-	-
45003	GENERAL LIABILITY INS	9,442	7,878	5,579	5,579	3,520
45004	BLDG MAINT SERVICES	34,716	40,381	55,594	55,594	33,185
45009	I.S. SERVICES	18,075	24,193	15,655	15,655	13,766
45000s	<<INTERNAL SERVICES>>	62,234	72,453	76,828	76,828	50,471
FINANCE		1,035,012	1,005,030	891,223	914,962	927,325



[650-5750] Utility Billing

ACTIVITY DESCRIPTION

The Utility Billing Division is responsible for the monthly billing of fees for water and sewer services. With a customer base of more than 12,000 users, the Division continues to emphasize customer service, assisting customers with opening and closing accounts, assisting customers at the counter with payments and questions, providing customer service on the telephone to answer questions regarding account status and accepting credit card payments. Utility Billing staff also responds to general Finance inquiries and refer City customers to appropriate departments.

FY 2003/04 HIGHLIGHTS

- Continued to market and expand the direct pay payment option for customers to pay utility costs electronically.
- Reviewed record retention policies for efficiency, space and need.
- Modified desk configurations for safety and improved customer service.

FY 2004/05 ACTIVITY GOALS

- Audit of customer accounts for appropriate billing rates and customer classifications within the software.
- Perform process review analysis for efficiencies and improved customer service with reduced staffing levels.

FINANCIAL COMMENTS

The Utility Billing Division falls within the responsibility of the Finance Department and is funded by water and sewer utility user fees.

	<u>FY 02/03</u>	<u>FY 03/04</u>	<u>FY 04/05</u>
<u>PERFORMANCE MEASURES</u>	<u>ACTUAL</u>	<u>PROJ.</u>	<u>GOAL</u>
• Annual staff hours processing utility bills	4,168	5,200	4,850
• Regular utility bills processed per year	134,270	138,384	139,000
• Percent of bills sent out error free	96.9%	99.0%	99.9%
• Average time to process a regular bill account ...	1.87minutes	2.26	2.10

Police

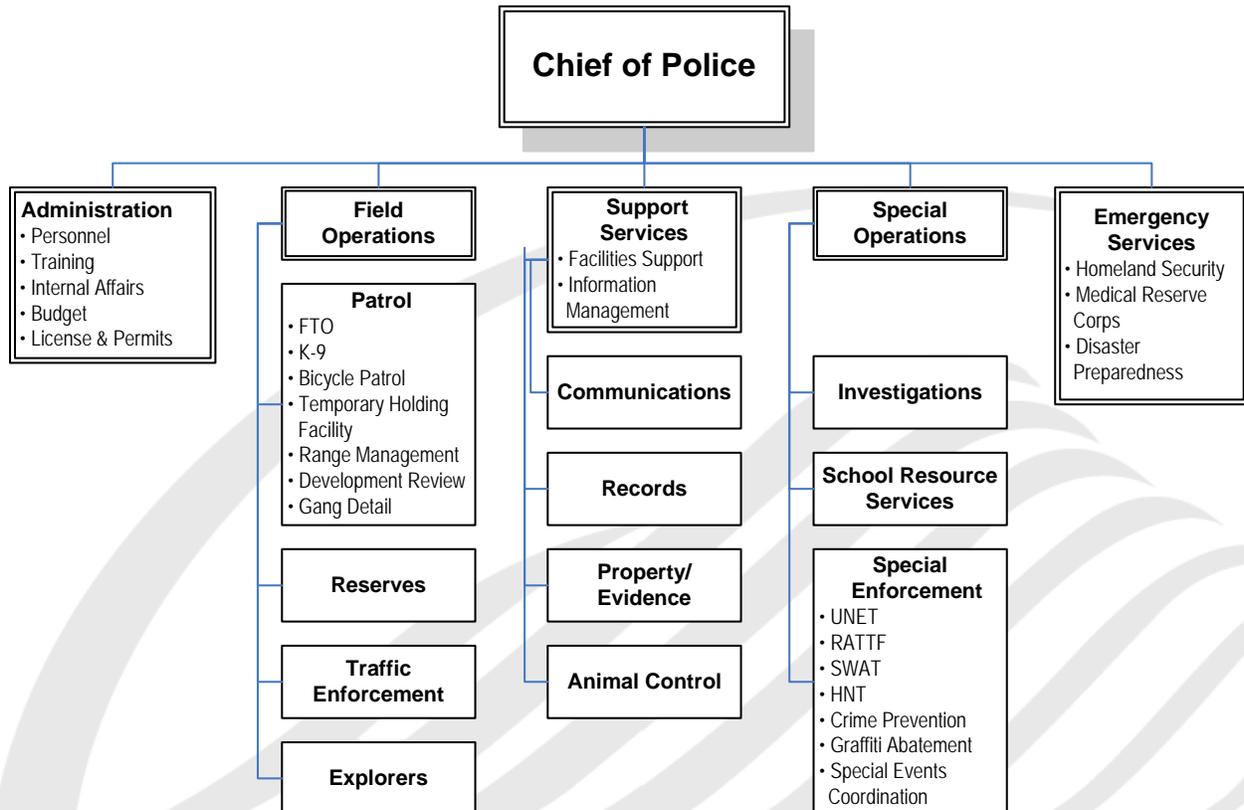
[010-3205] [010-3210] [010-3225] [010-3230] [010-3245]
 [010-5450] [010-8270]

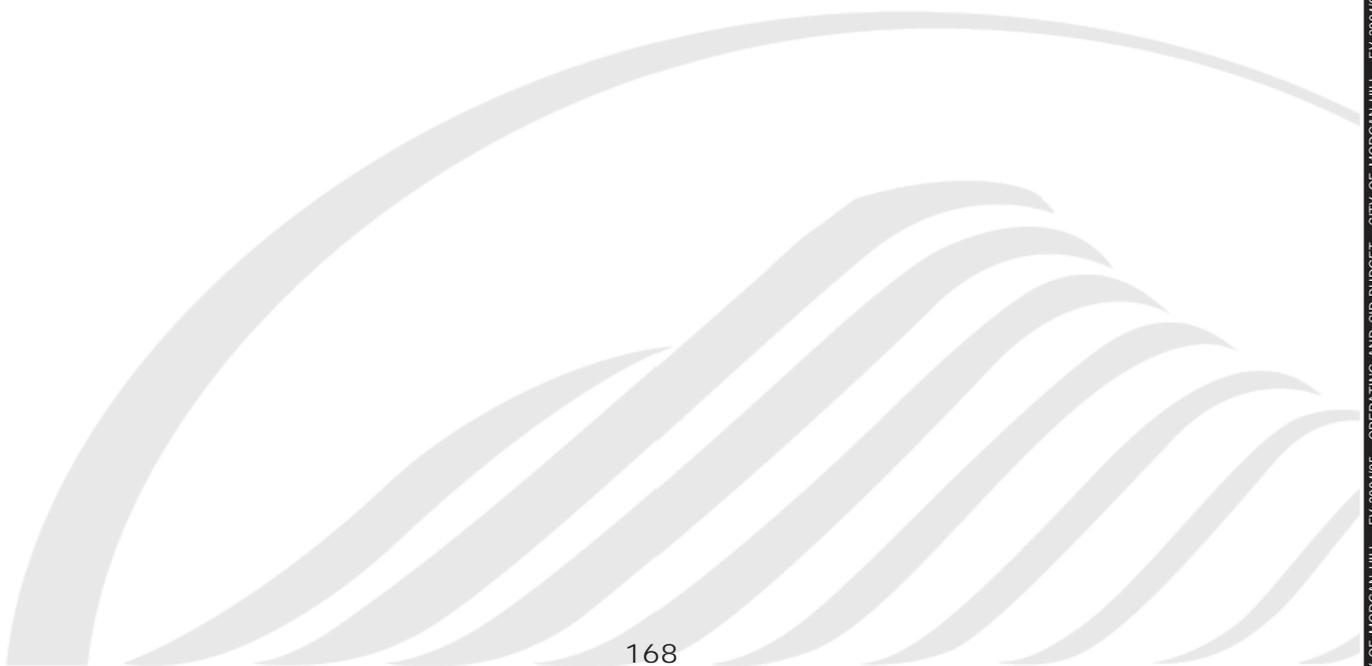
Appropriations Summary

	01/02 Actuals	02/03 Actuals	03/04 Current Budget ¹	03/04 Estimated Actuals	04/05 Adopted Budget
Salaries	4,628,511	4,780,630	5,740,167	5,456,866	6,604,079
Supplies & Services	798,532	790,508	643,989	633,882	630,737
Capital Outlay	77,868	56,785	3,575	5,281	12,400
Debt Services	4,128	7,412	-	-	79,000
Internal Service	368,588	407,362	424,569	424,569	662,034
Transfers Out	-	-	-	-	-
Project Expenditure	60,000	-	-	-	-
POLICE	5,937,627	6,042,697	6,812,300	6,520,598	7,988,250

010 3205 PD-ADMINISTRATION	574,079	418,289	491,711	505,251	614,784
010 3210 PD-FIELD OPERATIONS	2,725,596	3,056,723	3,274,188	3,119,403	4,106,920
010 3225 PD-SUPPORT SERVICES	1,102,075	842,097	897,092	897,075	949,449
010 3230 PD-EMERGENCY SERVICES	42,250	51,309	33,858	40,379	46,252
010 3245 PD-SPECIAL OPERATIONS	985,481	840,131	1,179,974	1,097,887	1,195,840
010 5450 ANIMAL CONTROL SERVICE	68,259	104,119	76,159	78,100	86,078
010 8270 DISPATCH SERVICES	439,887	730,030	859,318	782,503	988,927
DEPARTMENT TOTAL	5,937,627	6,042,697	6,812,300	6,520,598	7,988,250

¹ FY03/04 Adopted Budget: \$6,740,507





[010-3205] Police Administration

ACTIVITY DESCRIPTION

The Administration Division of the Police Department provides leadership and general direction for the law enforcement efforts of City government. The Chief of Police acts in the capacity of the Chief Executive Officer and oversees all Department functions. Reporting to the City Manager, the Chief guides Department managers, supervisors and all members in a collaborative effort in order to achieve the Department Mission. The Captain's position was eliminated during the last fiscal year (03-04) in exchange for two Lieutenants' positions. Those Lieutenants now serve as mid-managers overseeing the Field Operations Division and the Special Operations Division and assisting with management of the entire Department. Each Lieutenant position is listed under account 010-3210 and 010-3245. The Police Support Services Supervisor manages Support Services, Dispatch Services and Animal Control.

Administration provides planning and coordination, budget management, coordination of internal affairs matters, special events planning and management, and other administrative needs to the Department. Administration Division staff also oversee or coordinate volunteer services, personnel and training issues and emergency and disaster preparedness activities.

FY 2003/04 HIGHLIGHTS

- As a direct result of the Department reorganization in FY2002/03 a new Lieutenant was hired and assigned to the Special Operations Division.
- The Police Chief retired in December 2003 and was replaced by an Interim Police Chief in January 2004.
- Three Police Officers retired this fiscal year and were replaced by newly hired Officers.
- Construction on the new Police Facility on Vineyard Boulevard was completed.
- A comprehensive review and update of the General Orders, which comprise the policies and procedures within the Department, continued throughout the year.
- Completed Emergency Operations Plan.

FY 2004/05 WORKPLAN

- New Police Facility
- Mobile Communications Terminal Update-Year 1 of 3
- Citizen Satisfaction Survey
- SLETS & CJIC Terminals Deployment-Phase 3
- Update Department Training Schedule
- County Communication Compatibility Projects-Phase 3
- Update General Orders

FY 2004/05 ACTIVITY GOALS

- Hire a permanent Police Chief.
- Ensure that all objectives of the police grant programs are achieved through FY 2004/05

FINANCIAL COMMENTS

The Employee Services activity includes step/benefit increases.

[010-3205] Police Administration

Acct	Description	01/02 Actuals	02/03 Actuals	03/04 Current Budget	03/04 Estimated Actual	04/05 Adopted Budget
41100	SALARIES-GENERAL	89,347	204,681	338,757	209,046	343,532
41160	SALARIES-SAFETY	229,247	92,002	-	71,103	-
41270	SALARIES-PART-TIME	-	-	-	62,675	-
41320	SALARIES-OTHER PAYOUT	40,411	14,661	23,000	23,000	23,000
41490	OVERTIME-GENERAL	-	-	500	-	500
41560	UNEMP. INS	21	25	592	-	1,144
41620	RETIREMENT-GENERAL	6,117	8,589	22,918	-	57,726
41690	DEFERRED COMPENSATION	9,659	8,597	8,396	-	8,263
41700	GROUP INSURANCE	19,481	23,691	28,921	-	28,090
41701	MEDICARE	4,850	4,568	4,912	-	4,981
41730	INCOME PROTECTION INS	3,497	4,953	3,822	-	3,909
41760	WORKERS COMP	18,434	13,626	23,480	23,406	23,263
41799	BENEFITS	-	-	-	82,278	-
41800	UNIFORM	2,493	1,635	1,600	500	2,520
41000s	<<EMPLOYEE SERVICES>>	423,557	377,029	456,898	472,008	496,928
42231	CONTRACT SERVICES	68,487	22,427	17,070	16,000	17,070
42244	STATIONERY & OFFICE SUPPLIES	160	104	200	150	200
42248	OTHER SUPPLIES	1,068	469	500	500	500
42250	ADVERTISING	2,881	-	1,800	1,800	1,800
42252	PHOTOCOPYING	-	-	-	100	200
42254	POSTAGE & FREIGHT	29	58	100	-	100
42257	PRINTING	929	17	300	425	300
42261	AUTO MILEAGE	38	44	110	400	350
42299	OTHER EXPENSE	45	146	150	230	300
42408	TRAINING & EDUCATION	1,860	1,823	2,500	2,500	2,250
42415	CONFERENCE & MEETINGS	1,956	1,405	1,280	500	780
42423	MEMBERSHIP & DUES	852	800	800	800	875
42435	SUBSCRIPTION & PUB.	86	197	300	300	300
42523	MAINT - MACHINE/EQUIPMENT	150	-	100	-	-
42531	MAINT - FURNITURE/OFFICE EQUIPMENT	-	-	65	-	5,500
42000s	<<SUPPLIES & SERVICES>>	78,539	27,492	25,275	23,705	30,525
43835	FURNITURE/OFFICE EQUIPMENT	1,616	-	-	-	-
43840	COMPUTER EQUIPMENT	810	-	-	-	-
43000s	<<CAPITAL OUTLAY>>	2,426	-	-	-	-
44990	PRINCIPAL	-	-	-	-	79,000
44000s	<<DEBT SERVICE>>	-	-	-	-	79,000
45003	GENERAL LIABILITY INS	9,557	13,768	9,538	9,538	8,331
45000s	<<INTERNAL SERVICES>>	9,557	13,768	9,538	9,538	8,331
86420	LOAN AMOUNT	60,000	-	-	-	-
86000s	<<PROJECT EXPENDITURES>>	60,000	-	-	-	-
	POLICE-ADMINISTRATION	574,079	418,289	491,711	505,251	614,784



[010-3210] Police Field Operations

ACTIVITY DESCRIPTION

The primary responsibility of the Field Operations Division is to respond to emergency and non-emergency calls for service and to provide traffic enforcement and community oriented police services. Division personnel conduct preliminary criminal investigations and the necessary follow-up investigations for most incidents. Follow up investigations of the most critical and serious crimes are conducted by patrol personnel in collaboration with the Special Operations Division. In addition, patrol officers are responsible for working with community members to identify and resolve community problems, either through formal problem oriented policing projects or by directed patrol and targeted enforcement. Targeted enforcement includes the use of a variety of strategies including a canine officer, foot and bicycle patrols where appropriate.

Within the Field Operations Division, specially trained officers participate as canine handlers, field training officers, bicycle officers and traffic officers. The Reserve Officer program is also within the Field Operations Division. Reserve Officers are volunteers who receive training nearly identical to regular officers and augment regular patrol activities.

FY 2003/04 HIGHLIGHTS

- Total calls for service have steadily increased from 2002 to 2004. Patrol response to priority calls remained within acceptable averages for the year.
- The State Supplemental Law Enforcement Services Fund of \$100,000 continues to support three civilian Community Safety Officers to augment sworn officers. By hiring CSOs, not only is there a budget salary savings, but officers now have time to perform directed patrol enforcement and self initiated activities. Currently there are two vacancies in the CSO position. The Department has started the process of upgrading the CSO position to a Multi-Service Officer (MSO) for the additional duties of booking and transportation of prisoners
- Traffic enforcement was limited to one DUI check point during the holiday season. Thirty-eight DUI arrests were made during the Avoid The 13 Campaign.
- Less than lethal Taser guns were introduced into the patrol function for use by supervisors.
- Implementation of the long rifles (AR-15) to the Patrol Division has increased capabilities to respond to critical incidents with a wider range of lethal and less than lethal options.

FY 2004/05 ACTIVITY GOALS

- Respond to emergency, life-threatening incidents within an average of 5 minutes and urgent calls for service within an average of 10 minutes
- Increase officer-initiated activity to be equal to or greater than the number of calls for service
- Undertake one long-term problem oriented policing project in cooperation with community members, with the effect of significantly improving the quality of life in the selected problem areas
- Identify one enforcement problem per patrol team, per quarter, and develop a plan to target patrol efforts and solutions
- Implement a plan for the Bicycle Patrol Officers to work jointly with the Bike Advisory Board to present at least two bike rodeos within the community.
- Develop and re-establish in-house expertise in areas of defensive tactics, range management and bicycle patrol operations.

[010-3210] Police Field Operations

Acct	Description	01/02 Actuals	02/03 Actuals	03/04 Current Budget	03/04 Estimated Actual	04/05 Adopted Budget
41100	SALARIES-GENERAL	82,637	101,753	204,036	50,187	215,299
41160	SALARIES-SAFETY	1,597,563	1,824,606	1,975,003	1,854,988	2,086,032
41270	SALARIES-PART-TIME	26,698	38,687	1,000	2,319	3,500
41280	SALARIES-P.T.-REIMB	551	91	5,600	425	2,000
41310	SALARIES-OTHER	6,869	6,061	7,291	12,500	12,700
41320	SALARIES-OTHER PAYOUT	56,565	33,426	29,000	19,000	20,000
41490	OVERTIME-GENERAL	2,129	17,216	4,300	-	4,300
41500	OVERTIME-SAFETY	106,664	146,361	97,950	150,000	97,950
41505	OT-SAFETY-SPEC.PROJEC	18,084	8,868	15,600	6,660	15,600
41520	OVERTIME-REIMBURSABLE	28,705	17,833	22,000	22,000	22,000
41560	UNEMP. INS	127	130	3,848	-	7,705
41620	RETIREMENT-GENERAL	6,017	6,918	147,481	-	552,763
41630	RETIREMENT-SAFETY	904	2,213	-	-	-
41690	DEFERRED COMPENSATION	-	698	5,788	-	6,073
41700	GROUP INSURANCE	121,331	168,778	191,998	-	275,290
41701	MEDICARE	18,271	24,927	30,924	-	33,369
41730	INCOME PROTECTION INS	1,005	1,724	11,212	-	11,575
41760	WORKERS COMP	109,886	138,731	175,833	175,589	254,103
41799	BENEFITS	-	-	13,741	496,059	-
41800	UNIFORM	30,561	29,007	29,655	29,655	32,255
41810	UNIFORM-RESERVES	-	2,527	4,500	3,000	3,000
41000s	<<EMPLOYEE SERVICES>>	2,214,565	2,570,555	2,976,760	2,822,382	3,655,514
42214	TELEPHONE	2,070	722	-	-	-
42228	GASOLINE & OIL	30,967	26,168	42,000	35,000	34,500
42231	CONTRACT SERVICES	57,165	54,447	47,750	47,750	50,480
42240	RENTALS - OUTSIDE	10,000	-	310	500	450
42242	RENTS	10,318	8,452	-	-	14,764
42248	OTHER SUPPLIES	44,244	41,674	28,895	31,514	30,455
42250	ADVERTISING	730	-	1,000	3,405	3,000
42254	POSTAGE & FREIGHT	46	232	300	150	100
42257	PRINTING	2,495	1,788	2,500	2,725	2,500
42261	AUTO MILEAGE	16	-	100	100	100
42299	OTHER EXPENSE	196	718	200	475	200
42408	TRAINING & EDUCATION	26,824	22,259	24,000	24,000	24,000
42415	CONFERENCE & MEETINGS	-	2,000	240	240	240
42423	MEMBERSHIP & DUES	720	497	530	497	640
42435	SUBSCRIPTION & PUB.	468	1,082	790	1,120	1,280
42436	AB939 FEES	68	-	-	-	-
42523	MAINT - MACHINE/EQUIPMENT	893	926	4,670	500	5,670
42526	MAINT - AUTO/TRUCKS	73,577	86,128	67,598	72,500	65,000
42536	MAINT - OTHER	40	-	-	-	-
42550	FLEET REPLACEMENT	160,257	165,255	12,166	12,166	-
42000s	<<SUPPLIES & SERVICES>>	421,094	412,349	233,049	232,642	233,379

[010-3225] Police Support Services

ACTIVITY DESCRIPTION

As its name implies, the Police Department Support Services Division encompasses a variety of functions that support the overall operations of the Department as well as providing customer service at the front counter of the Police facility. The functions included in this division are Records; Property/Evidence management; the Cadet Program; Dispatch Services; and Animal Control Services. Dispatch Services and the Animal Control Unit have separate program budgets. Police Records Specialists accomplish accurate and timely report and information processing for local, county, and State systems as required, and oversees the storage and processing of property and evidence pursuant to rigorous State requirements. Division personnel lend assistance to other divisions when supplementary personnel are required, such as animal licensing and the annual update of information collected from registrants who are required to report to the Police facility.

FY 2003/04 HIGHLIGHTS

- The records section of the Support Division was reduced by one full-time member due to medical leave. This left one full-time Police Records Specialist (PRS), with the other full-time PRS assigned to property/evidence. The four part-time PRSs are now working extra hours in order to keep current with records functions.
- The property/evidence unit conducted a follow up external audit which recommended extensive purging of property before the move to the new facility. The property/evidence unit continues to be staffed 35 hours per week by one full-time Police Records Specialist. Property eligible for disposal is being handled by an on-line auction company.
- Record personnel developed an extensive system for the recordation of sex registrants.
- Developed a Citizen Satisfaction Survey

FY 2004/05 ACTIVITY GOALS

- Complete purging of 1993 records currently stored in archives.
- Continue to staff property/evidence unit full-time, minimizing the time this Police Records Specialist can spend in the records front office.

FINANCIAL COMMENTS

The Employee Services activity includes step/benefit increases. As part of the FY04/05 budget reduction plan, one PT Police Records Specialist and two PT Police Cadets were eliminated.

<u>PERFORMANCE MEASURES</u>	<u>FY 02/03</u> <u>ACTUAL</u>	<u>FY 03/04</u> <u>PROJ.</u>	<u>FY 04/05</u> <u>GOAL</u>
• Number of hours per week dedicated to the property/evidence function	35	35	30
• Percent of property/evidence released or purged within 30 days of clearance	100%	100%	100%
• Percent of arrests entered into CJIC within 48 business hours of arrest date	100%	100%	100%
• Number of incident reports stored electronically	5,706	6,000	6,225

[010-3230] Police Emergency Services

ACTIVITY DESCRIPTION

This unit operates under the Police Administration. It maintains the City of Morgan Hill's Office of Emergency Services (OES); oversees the volunteer Medical Reserve Corps (MRC) as the Project Director; and, coordinates with the all-volunteer South County Neighborhood Disaster Preparedness Project, Inc. to offer disaster preparedness programs including Community Emergency Response Team (CERT) training classes. Staff coordinates with the Garlic Valley Chapter of the Amateur Radio Emergency Services (ARES-Ham operators) for auxiliary communications in the City Emergency Operations Center (EOC), when activated. Staff also works with other agencies, such as the Santa Clara Valley Chapter American Red Cross and the Volunteer Exchange.

The Office of Emergency Services maintains the City's Emergency Operations Plan (EOP) which prescribes the functioning of all City Departments during emergency/disaster conditions to insure the continuation of government and the delivery of essential City services to the residents and business community. This includes responsibility for mitigating disasters to protect lives and reduce property damage; preparation of damage assessment reports and documentation to request State and Federal assistance to aid the financial recovery of essential services and public safety; coordination of training of City employees as Disaster Service Workers (DSWs) in the emergency response organization; and, implementation of community preparedness programs to educate the public in the methods needed to improve their potential for survival as individuals, as well as their families and neighbors, when catastrophic disasters impact the City.

The OES represents the City as a member of the Santa Clara County Emergency Manager's Association. It monitors the activities of the Santa Clara County Emergency Planning Council and several other related committees, both within the County and adjacent counties. The OES works with the Morgan Hill Unified School District Emergency Services Coordinator and staff at private schools and Day Care Centers/Pre-Schools within the City.

FY 2003/04 HIGHLIGHTS

- In coordination with the SCNDPP Inc., the OES has continued to promote and present emergency preparedness classes in the City. This program has been presented in both English and Spanish. Two CERT classes were completed.
- Four City staff members attended a 35 hour Terrorism class.
- OES Coordinator attended classes on Weapons of Mass Destruction Recovery Program, Managing Sustained Operations, Terrorism and EOC Response.
- Refresher training was conducted, including an exercise, for the Abbott Laboratories Business Emergency Response Team.
- The OES co-sponsored, with the SCNDPP, Inc., a public outreach booth at the Taste of Morgan Hill, at which over 40,000 visitors received literature, had their questions answered, and were able to sign up for CERT classes.
- Applied, and was selected by the Office of the U.S. Surgeon General, for a continuation of a federal grant for a unit of the Medical Reserve Corps (MRC)..
- Partnered with Channel 17 TV to broadcast various programs on the subject of emergency preparedness.
- The City's stock of emergency supplies were inventoried and replacement stocks, as needed, were purchased.

[010-3230] Police Emergency Services

FY 2004/05 ACTIVITY GOALS

- Accomplish an EOC staff exercise as required by the State of California
- Present two CERT training classes in English and Spanish in conjunction with the SCNDPP Inc.
- Sponsor a public outreach educational booth at the Taste of Morgan Hill in conjunction with the SCNDPP Inc. and the MRC
- Record the number of disaster preparedness presentations presented to neighborhoods, organizations, schools and businesses during the year
- Continue to coordinate the Disaster Preparedness Activities of the SNDPP Inc., the MRC and the Garlic Valley ARES organization within the City
- Continue supervising the organizational and training efforts of the MRC, including activation and exercises of the MRC field teams as the Grant Administrator/Project Director
- Continue coordination with Channels 17 and 19 for the broadcast of Disaster Preparedness Programs
- Monitor the number of organized CERT teams capable of being deployed throughout the City
- Continue meeting with representatives of the public schools, the private schools and Day Care Centers/Pre-Schools within the City to improve the status of on-campus disaster preparedness

FINANCIAL COMMENTS

The Employee Services activity has been adjusted to reflect a permanent full-time position being backfilled with a half-time employee.

<u>PERFORMANCE MEASURES</u>	<u>FY 02/03</u> <u>ACTUAL</u>	<u>FY 03/04</u> <u>PROJ.</u>	<u>FY 04/05</u> <u>GOAL</u>
• Hours of preparedness presentation given to the community	176 hours	50	75
• Number of organized CERT teams	6 teams of		
capable of operating within the City	15-25 members	7	9
• Number of emergency drills/exercises	3	4	6
• Number of sections of the disaster plan updated annually	2 new additions	new plan	new plan

[010-3245] Police Special Operations

ACTIVITY DESCRIPTION

The Special Operations Division is responsible for coordinating major investigations and special enforcement activities. The Division provides police services to the City's schools and handles citizen complaint investigations. Personnel in this Division perform varied tasks that include general investigations, narcotic investigations, auto theft investigations, media information and School Resource Officer services. The Department's Special Weapons and Tactics (SWAT) team and Hostage Negotiations Team (HNT) is also under this Division and handles high-risk calls including warrant service, crisis negotiations and hostage rescue. The CSO assigned to this Division is responsible for the Crime Prevention Program.

FY 2003/04 HIGHLIGHTS

- A second Lieutenant was assigned as Division Commander for Special Operations.
- MHPD Detectives identified several crime patterns involving crimes against persons and crime against property.
- Special Operations Division personnel attended training in the areas of gang awareness, school policing, crime scene investigation, homicide investigations, child abuse investigation, sexual assault investigation, internal affairs investigation, tactical SWAT command, search warrant execution and emergency disaster operations.
- MHPD SWAT Team responded to two call outs and conducted joint search warrant execution with countywide task forces.

FY 2004/05 ACTIVITY GOALS

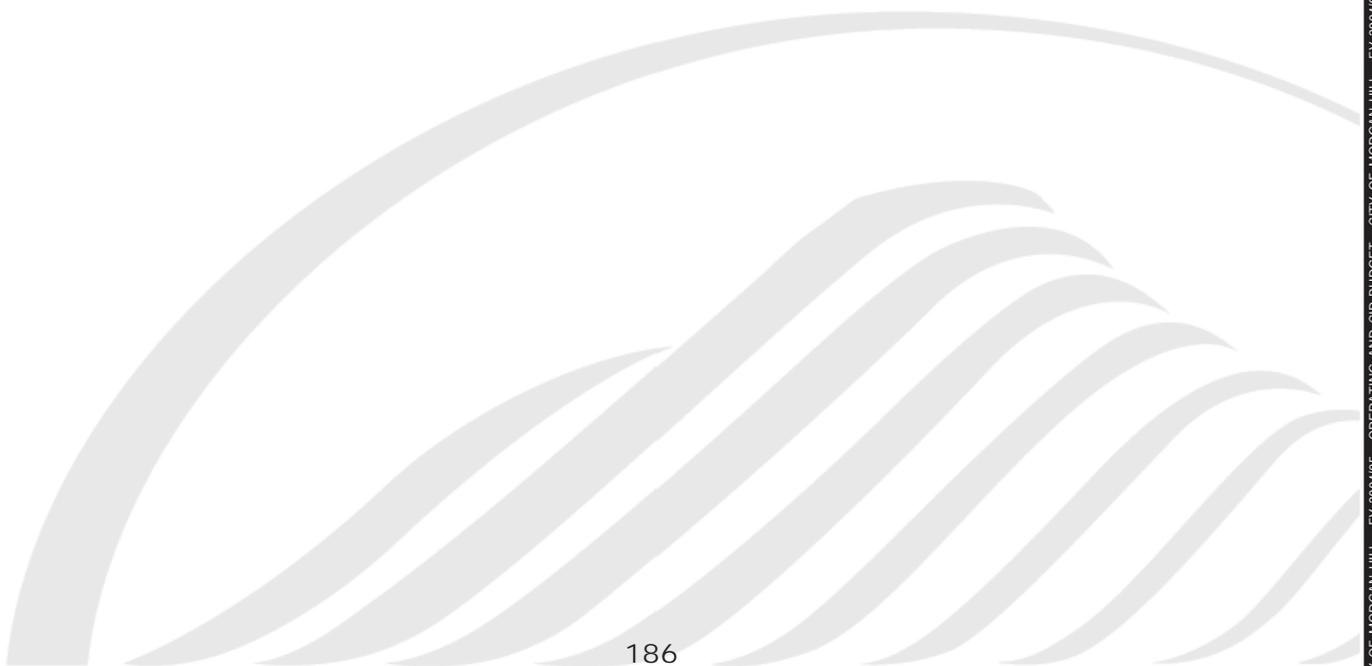
- Identify crime patterns and develop strategies to apprehend and prosecute offenders.
- Assist both middle and high schools in identifying and mitigating potential hazards to school safety.
- Track the number of criminal investigations submitted by Division personnel to the District Attorney's Office requesting the issuance of a criminal complaint.
- Compare Morgan Hill's clearance rate for Part 1 crimes to the National average.
- Coordinate proactive service of probation warrants and criminal arrest warrants.
- Develop multi-agency SWAT/HNT model with Gilroy P.D.
- Enlist volunteers in crime prevention and Neighborhood Watch programs.

FINANCIAL COMMENTS

The Employee Services Budget includes employee step/benefit increases. One SRO is partially funded through the COPS in Schools 2002 Grant and the RATTFF position is fully reimbursed through State funding.

[010-3245] Police Special Operations

Acct	Description	01/02 Actuals	02/03 Actuals	03/04 Current Budget	03/04 Estimated Actual	04/05 Adopted Budget
41100	SALARIES-GENERAL	66,748	4,527	141,999	1,002	155,715
41160	SALARIES-SAFETY	606,821	557,842	652,046	640,257	510,430
41270	SALARIES-PART-TIME	989	16,810	-	-	-
41310	SALARIES-OTHER	10,014	10,515	3,500	3,000	3,500
41320	SALARIES-OTHER PAYOUT	19,945	9,090	6,500	8,800	8,800
41490	OVERTIME-GENERAL	1,092	4,117	750	1,650	750
41500	OVERTIME-SAFETY	43,496	36,538	25,020	58,000	50,000
41505	OT-SAFETY-SPEC.PROJ	-	-	-	1,148	-
41520	OVERTIME-REIMBURSABLE	53	322	-	536	-
41560	UNEMP. INS	50	35	1,480	-	2,288
41620	RETIREMENT-GENERAL	4,813	-	55,179	-	158,178
41630	RETIREMENT-SAFETY	3,944	-	-	-	-
41690	DEFERRED COMPENSATION	-	-	2,972	-	3,266
41700	GROUP INSURANCE	62,416	48,805	73,679	-	77,027
41701	MEDICARE	7,800	7,116	11,514	-	9,659
41730	INCOME PROTECTION INS	938	-	4,815	-	4,080
41760	WORKERS COMP	47,338	40,562	65,906	65,790	72,908
41799	BENEFITS	-	-	-	173,140	-
41800	UNIFORM	7,725	6,689	13,650	13,650	16,840
41000s	<<EMPLOYEE SERVICES>>	884,181	742,967	1,059,010	966,973	1,073,441
42228	GASOLINE & OIL	1,947	-	-	-	-
42231	CONTRACT SERVICES	62,164	64,645	77,700	77,700	84,230
42240	RENTALS - OUTSIDE	-	360	-	-	-
42244	STATIONERY & OFFICE SUPPLIES	-	-	-	50	-
42248	OTHER SUPPLIES	5,622	3,644	6,670	6,670	6,470
42257	PRINTING	108	-	-	200	260
42408	TRAINING & EDUCATION	8,909	8,866	7,930	18,300	7,930
42415	CONFERENCE & MEETINGS	-	85	175	175	175
42423	MEMBERSHIP & DUES	20	170	200	400	600
42435	SUBSCRIPTION & PUB.	16	119	70	-	70
42523	MAINT - MACHINE/EQUIPMENT	167	-	800	-	-
42000s	<<SUPPLIES & SERVICES>>	78,954	77,889	93,545	103,495	99,735
43825	MACHINERY/EQUIPMENT	-	-	3,575	3,575	6,000
43835	FURNITURE/OFFICE EQUIPMENT	1,729	-	-	-	-
43000s	<<CAPITAL OUTLAY>>	1,729	-	3,575	3,575	6,000
45003	GENERAL LIABILITY INS	20,618	19,275	23,844	23,844	16,664
45000s	<<INTERNAL SERVICES>>	20,618	19,275	23,844	23,844	16,664
POLICE-SPECIAL OPERATIONS		985,481	840,131	1,179,974	1,097,887	1,195,840



[010-5450] Animal Control Services

ACTIVITY DESCRIPTION

The Animal Control function is overseen by the Support Services Supervisor. This unit is responsible for the enforcement of animal control provisions mandated by State Law and local ordinance, and for administering animal licensing for the cities of Morgan Hill and Gilroy. Under an agreement with Gilroy, the City of Morgan Hill receives 90% of Gilroy's animal license revenues. The Animal Control Services Unit is staffed by one full-time Animal Control Officer. Police Officers and Community Service Officers provide emergency animal control services when unit personnel are not available.

FY 2003/04 HIGHLIGHTS

- Records personnel support the Animal Control licensing function as well as handling phone and counter requests when the Officer is in the field.
- The Animal Control Officer received advanced training and was called upon to use his knowledge during incidents involving dangerous animals in the City.

FY 2004/05 ACTIVITY GOALS

- Increase the number of licenses issued for the Cities of Morgan Hill and Gilroy.
- Implement and distribute a public education program regarding living with mountain lions in the Morgan Hill area.

<u>PERFORMANCE MEASURES</u>	<u>FY 02/03</u> <u>ACTUAL</u>	<u>FY 03/04</u> <u>PROJ.</u>	<u>FY 04/05</u> <u>GOAL</u>
• Hours spent enforcing animal license provisions of State law and local ordinance	8 hours/day	.. 8 hours/day	. 8 hours/day
• Number of animal licenses issued to Morgan Hill residents	828 1,500 1,600
• Number of Morgan Hill impounded animals returned to their owners within 4 days	32 30 35
• Number of unlicensed dogs impounded or owners cited compared to the number of licensed dogs	135 to 1,123 30/1,500 23/1,600
• Percent of unaltered to altered M.H. animals receiving licenses	N/A 19% 22%

[010-5450] Animal Control Services

Acct	Description	01/02 Actuals	02/03 Actuals	03/04 Current Budget	03/04 Estimated Actual	04/05 Adopted Budget
41100	SALARIES-GENERAL	829	38,097	33,826	41,789	39,019
41270	SALARIES-PART-TIME	30,931	-	-	-	-
41320	SALARIES-OTHER PAYOUT	1,220	-	-	-	250
41330	SALARIES-SICK LEAVE PAYOUT	-	-	250	-	-
41490	OVERTIME-GENERAL	-	442	500	865	1,000
41560	UNEMP. INS	5	10	148	-	286
41620	RETIREMENT-GENERAL	2,259	2,693	3,203	-	5,905
41700	GROUP INSURANCE	5,123	6,712	6,720	-	9,415
41701	MEDICARE	479	584	490	-	566
41730	INCOME PROTECTION INS	553	629	540	-	583
41760	WORKERS COMP	1,913	2,413	2,808	2,822	2,181
41799	BENEFITS	-	-	-	12,955	-
41800	UNIFORM	286	804	750	450	750
41000s	<<EMPLOYEE SERVICES>>	43,597	52,385	49,235	58,881	59,955
42231	CONTRACT SERVICES	15,739	15,850	19,160	13,550	17,910
42240	RENTALS - OUTSIDE	-	-	100	-	100
42244	STATIONERY & OFFICE SUPPLIES	333	-	-	-	-
42248	OTHER SUPPLIES	1,423	1,127	1,300	1,000	1,300
42250	ADVERTISING	63	-	-	-	-
42254	POSTAGE & FREIGHT	373	56	100	-	100
42257	PRINTING	190	-	400	65	100
42281	SMALL TOOLS	-	-	680	350	680
42299	OTHER EXPENSE	164	19	450	250	-
42408	TRAINING & EDUCATION	-	1,354	1,000	1,320	2,500
42415	CONFERENCE & MEETINGS	-	-	100	-	100
42423	MEMBERSHIP & DUES	-	-	100	-	100
42435	SUBSCRIPTION & PUB.	-	49	100	-	100
42523	MAINT - MACHINE/EQUIPMENT	-	-	200	-	200
42526	MAINT - AUTO/TRUCKS	40	-	850	300	850
42550	FLEET REPLACEMENT	1,336	-	-	-	-
42000s	<<SUPPLIES & SERVICES>>	19,661	18,456	24,540	16,835	24,040
43820	OTHER IMPROVEMENTS	2,576	-	-	-	-
43825	MACHINERY/EQUIPMENT	-	14,358	-	-	-
43830	AUTO/TRUCKS	-	16,166	-	-	-
43000s	<<CAPITAL OUTLAY>>	2,576	30,524	-	-	-
45003	GENERAL LIABILITY INS	2,425	2,754	2,384	2,384	2,083
45000s	<<INTERNAL SERVICES>>	2,425	2,754	2,384	2,384	2,083
ANIMAL CONTROL SERVICES		68,259	104,119	76,159	78,100	86,078

Community Development

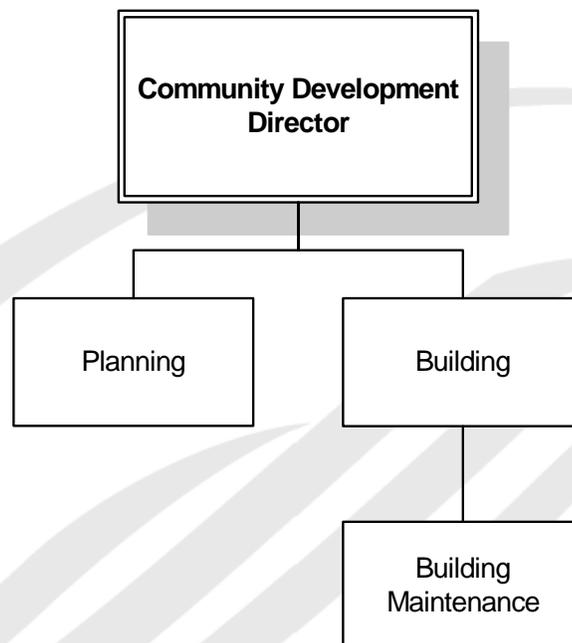
[010-5150] [202-6110] [206-5120] [206-5130] [207-5170]
 [740-2115] [740-2120] [740-5150]

Appropriations Summary

	01/02 Actuals	02/03 Actuals	03/04 Current Budget ¹	03/04 Estimated Actuals	04/05 Adopted Budget
Salaries	1,123,596	1,319,810	1,613,263	1,463,548	1,670,971
Supplies & Services	954,714	901,279	1,353,358	1,153,182	1,485,270
Capital Outlay	41,674	15,361	2,577	2,000	13,000
Debt Services	1,400	1,330	-	-	-
Internal Service	428,575	594,159	586,821	586,821	440,769
Transfers Out	-	-	54,000	54,000	-
Project Expenditure	-	-	-	-	-
COMMUNITY DEVELOPMEN	2,549,959	2,831,938	3,610,019	3,259,551	3,610,010

010 5150 BUILDING MAINT.-CCC	-	244,632	427,967	526,557	-
202 6110 CONGESTION MANAGEMEN	70,139	65,815	78,868	65,815	80,329
206 5120 PLANNING DIVISON	1,053,280	1,140,646	1,224,253	1,086,838	1,086,783
206 5130 BUILDING DIVISION	802,824	844,132	1,016,487	927,596	1,038,955
207 5170 GENERAL PLAN UPDATE	82,507	44,318	197,413	156,814	60,498
740 2115 BUILDING MAINT.-CCC	-	-	-	-	491,198
740 2120 BUILDING MAINT.-AQUATIC:	-	-	-	-	310,931
740 5150 BUILDING MAINTENANCE	541,209	492,395	665,031	495,931	541,316
DEPARTMENT TOTAL	2,549,959	2,831,938	3,610,019	3,259,551	3,610,010

¹ FY03/04 Adopted Budget: \$3,143,769



[202-6110] Congestion Management

ACTIVITY DESCRIPTION

The Community Development Department - Congestion Management Activity (Planning Division) is responsible for developing and implementing programs to ensure City compliance with the Santa Clara Valley Transportation Agency Congestion Management Program (CMP). This is a State-mandated program approved by the voters with the passage of Proposition 111.

FY 2003/04 HIGHLIGHTS

- Participated in Santa Clara Valley Transportation Authority (VTA) Congestion Management Program activities to facilitate City compliance with the CMP
- Provided staff support to the VTA Board Technical Advisory Committee
- Participated in Regional Transportation Planning Efforts including the VTA Southern Gateway Study
- Prepared the Annual CMP Monitoring and Compliance Report
- Worked with County Staff to include two Morgan Hill projects, the Hill Road extension to Peet Road, and the Sunnyside/DeWitt/Santa Teresa realignment into the County's portion of the VTP 2030 plan under the Local Streets and County Roads Program.

FY 2004/05 ACTIVITY GOALS

- Participate in Santa Clara Valley Transportation Authority (VTA) activities to facilitate City compliance with the CMP
- Provide assistance as needed to Morgan Hill's representative on the VTA Policy Advisory Committee
- Prepare traffic impact studies as needed and route new development applications to VTA for comment
- Ensure on-going compliance with the County Congestion Management Program through the above activities and through preparation of an Annual Monitoring and Compliance Report to be submitted to the VTA in October 2004
- Participate in regional transportation planning initiatives sponsored by the VTA and initiated through the implementation of the VTP 2020 Plan
- Identify and submit a project for funding under the VTA Livable Communities and Pedestrian Program

FINANCIAL COMMENTS

Division activities are funded with Proposition 111 gas tax monies. Materials and supplies have been maintained at FY 2003/04 levels. The budget also reflects an increase of 22% in the Congestion Management Program Member Agency Fee from \$18,588 to \$22,668. Member fees were increased to reflect higher VTA staff costs associated with implementation of the VTP 2020 Regional Transportation Plan.

[206-5120] Planning Division

ACTIVITY DESCRIPTION

The Community Development Department Planning Division is responsible for current development activities and for reviewing preliminary and specific plans for compliance with existing zoning and the General Plan. It is also responsible for research, analysis, and development of long-range comprehensive planning projects and programs for the community.

FY 2003/04 HIGHLIGHTS

- Conducted separate Open/Market Rate and Affordable Measure P Residential Development Control System (Measure P) competitions and prepared Quarterly Monitoring Reports to the Planning Commission and City Council on the status of all Measure P approved residential developments
- Prepared Status Reports on all Commercial, Industrial and Residential Development Projects
- Posted quarterly updates on the City website
- Continued work on the, Murphy Corridor Study
- Completed the Gateway Plan, and updates of the Zoning Ordinances, Subdivision Ordinances and Design Review Ordinance
- Completed amendments to the Zoning Map to be consistent with the General Plan Update
- Developed amendments to the City's Residential Development Control System (Measure P) for voter consideration – Approved by the Voters on March 2, 2004
- Established threshold of significance and standard scope of work for Transportation Impact Analysis Reports
- Implemented Residential Development Control System Changes required by Measure C.

FY 2004/05 WORKPLAN

- Map all hillside and ridgeline areas, apply the Hillside Combining District to Zoning Map and amend the Hillside Ordinance to include enhanced ridgeline and hillside protection
- Enhance monitoring of customer satisfaction by refining Customer Service Questionnaire and establishing a program for surveying customers after completion of City permit processing
- Right-of-Way protection for arterial streets

FY 2004/05 ACTIVITY GOALS

- Conduct a Residential Development Control System (Measure C) competition
- Begin scanning planning files and create electronic files of all approved planning applications
- Implement cross training of Building and Planning Division line staff as a means to maintain customer service and improve the efficiency of Department operations

FINANCIAL COMMENTS

Development Processing Activities are funded by the Community Development Fund. The increase is due primarily to an increase in the number of Residential Development Control System applications anticipated for the October 2004 Measure C competition. The revenue estimate also includes the fee increase scheduled to go into effect July 1, 2004. Filing fees however, are not sufficient to cover the cost of services.

Employee services reflect recommended Division staffing as contained in the Maximus Report. Contract Services includes \$63,000 to continue funding of the part-time (Associate level) contract planner position. Funding for the Senior Planner position remains in the budget but will remain vacant until the hiring freeze is lifted. A portion of the salary savings from Senior Planner position (\$70,000), will go into contract services to fund completion of the Urban Limit Line Study.

[206-5120] Planning Division

Acct	Description	01/02 Actuals	02/03 Actuals	03/04 Current Budget	03/04 Estimated Actual	04/05 Adopted Budget
41100	SALARIES-GENERAL	339,329	420,008	411,821	421,444	479,546
41160	SALARIES-SAFETY	6,683	-	-	-	-
41270	SALARIES-PART-TIME	11,742	13,096	20,000	14,403	-
41320	SALARIES-OTHER PAYOUT	6,095	3,905	6,000	-	-
41490	OVERTIME-GENERAL	106	2,105	-	-	-
41560	UNEMP. INS	46	41	910	-	2,013
41620	RETIREMENT-GENERAL	14,244	19,620	29,352	-	61,698
41690	DEFERRED COMPENSATION	7,448	8,453	7,784	-	8,352
41700	GROUP INSURANCE	30,181	39,800	43,842	-	57,149
41701	MEDICARE	4,873	6,070	5,971	-	6,953
41730	INCOME PROTECTION INS	4,821	6,060	5,127	-	5,990
41760	WORKERS COMP	7,865	10,209	12,676	12,661	20,198
41799	BENEFITS	594	891	-	108,962	-
41800	UNIFORM	48	-	-	-	-
41900	CONTRACT LABOR	74,338	9,860	111,232	-	-
41000s	<<EMPLOYEE SERVICES>>	508,412	540,119	654,715	557,470	641,899
42214	TELEPHONE	6,857	7,140	7,500	5,800	6,237
42228	GASOLINE & OIL	64	64	100	75	100
42231	CONTRACT SERVICES	233,132	275,807	209,229	184,351	90,000
42242	RENTS	44	36	-	-	63
42244	STATIONERY & OFFICE SUPPLIES	3,911	2,792	4,000	2,500	4,000
42245	COMPUTER HARDWARE-NON CAPITAL	-	-	-	-	19,000
42246	COMPUTER SOFTWARE-NON CAPITAL	-	-	-	-	18,000
42248	OTHER SUPPLIES	2,460	2,826	2,000	300	1,000
42250	ADVERTISING	19,690	12,659	13,000	14,324	15,000
42252	PHOTOCOPYING	953	2,233	7,300	8,091	9,373
42254	POSTAGE & FREIGHT	3,068	4,357	4,500	4,000	4,500
42257	PRINTING	3,050	2,589	10,000	6,500	10,000
42261	AUTO MILEAGE	-	-	-	40	-
42265	AUTO ALLOWANCE	(12)	-	-	-	-
42408	TRAINING & EDUCATION	3,295	1,794	4,195	1,000	4,000
42415	CONFERENCE & MEETINGS	7,041	2,855	7,500	5,833	7,500
42423	MEMBERSHIP & DUES	4,456	3,594	5,000	3,800	5,000
42435	SUBSCRIPTION & PUB.	957	2,182	4,000	2,200	4,000
42526	MAINT - AUTO/TRUCKS	196	-	-	-	-
42531	MAINT - FURNITURE/OFFICE EQUIPMENT	3,391	2,992	2,000	2,000	5,000
42550	FLEET REPLACEMENT	2,356	1,536	-	-	-
42000s	<<SUPPLIES & SERVICES>>	294,910	325,455	280,324	240,814	202,773

[206-5130] Building Division

ACTIVITY DESCRIPTION

The Community Development Department Building Division enforces all codes and regulations providing minimum standards to safeguard life, health, and public welfare by regulating the use, occupancy, location, and maintenance of all buildings and structures. Permit application submittals, plan reviews, issuance of permits, and field inspections for all new construction and property development activities ensures public safety and compliance with State Regulations. Additionally, the Building Division is responsible for the handling of Code Enforcement activities, which include investigation, case maintenance, and resolution of cases.

FY 2003/04 HIGHLIGHTS

- Code Enforcement activities have increased from 437 cases in calendar year 2002 to 927 cases in calendar year 2003 with all but 62 of these cases obtaining resolution.
- A master plan submittal process has been completed to expedite plan check submittals.
- Over the counter permits issuance has been increased to include the following permits; a.) Swimming Pools, b.) Spas, c.) Signs, d.) Minor additions, e.) Interior alterations (Non-structural) and all Re-roofing permits.
- Improvements have been accomplished to improve our record management system.
- Weekly staff training programs have enhanced our ability to provide better customer service.
- Weekly code discussion meetings with our Inspection staff has provided training to enhance code knowledge and provide more consistent inspections.

FY 2004/05 WORKPLAN

- Redesign Building Permit Applications
- Develop an automated system for calculating permit fees.
- Upgrade Tidemark permit issuance software program
- Enhance record retention by implementation of a scanning system

FY 2004/05 ACTIVITY GOALS

- Implement a proactive Code Enforcement program to ensure permit compliance
- Continue to train and develop new staff members

FINANCIAL COMMENTS

The Building Division experienced the second busiest year in our history with permit valuations of \$127,973,306 for calendar year 2003. The total number of issued building permits was 1409. This year's activities are anticipated to be similar to our previous year. Operation of the Building Division is funded by Development Fees.

PERFORMANCE MEASURES	FY 2002	FY 2003	FY 2004
	ACTUAL	ACTUAL	GOAL
• Percentage of inspections accomplished within a 24 hour response	95%	96.5%	100%
• Total number of complaints processed	437	927	800
• Number of Code Enforcement cases investigated or mitigated	361	832	760
• Percent of Code Enforcement cases completed and closed	79%	93%	95%
• Percent of Permits Issued Over the Counter			35%

[206-5130] Building Division

Acct	Description	01/02 Actuals	02/03 Actuals	03/04 Current Budget	03/04 Estimated Actual	04/05 Adopted Budget
41100	SALARIES-GENERAL	357,159	395,576	401,012	376,621	411,461
41270	SALARIES-PART-TIME	-	15,426	-	29,168	-
41280	SALARIES-P.T.-REIMB	168	162	-	275	-
41320	SALARIES-OTHER PAYOUT	9,657	9,591	10,000	-	-
41490	OVERTIME-GENERAL	1,448	2,188	6,000	6,000	6,000
41560	UNEMP. INS	37	35	938	-	1,956
41620	RETIREMENT-GENERAL	17,197	22,122	32,004	-	56,538
41690	DEFERRED COMPENSATION	4,412	4,324	3,868	-	3,102
41700	GROUP INSURANCE	24,390	34,684	44,901	-	61,935
41701	MEDICARE	3,557	4,847	5,815	-	5,966
41730	INCOME PROTECTION INS	4,902	5,980	4,934	-	5,171
41760	WORKERS COMP	8,764	9,780	12,413	12,392	20,836
41799	BENEFITS	589	602	-	105,505	-
41900	CONTRACT LABOR	15,642	7,393	14,000	15,000	15,000
41000s	<<EMPLOYEE SERVICES>>	447,922	512,709	535,885	544,961	587,965
42214	TELEPHONE	7,738	7,350	8,000	8,000	7,638
42228	GASOLINE & OIL	1,451	2,765	4,000	3,500	4,000
42231	CONTRACT SERVICES	117,696	75,979	213,500	125,000	180,000
42244	STATIONERY & OFFICE SUPPLIES	3,566	3,633	5,000	3,000	5,000
42245	COMPUTER HARDWARE-NON CAPITAL	-	-	-	-	24,000
42246	COMPUTER SOFTWARE-NON CAPITAL	-	-	-	-	8,000
42248	OTHER SUPPLIES	2,795	2,816	2,800	2,000	2,500
42250	ADVERTISING	2,417	217	1,000	1,000	1,000
42252	PHOTOCOPYING	56	40	1,000	2,000	3,000
42254	POSTAGE & FREIGHT	2,204	2,085	2,500	3,500	3,000
42257	PRINTING	629	2,228	5,000	4,000	5,000
42261	AUTO MILEAGE	320	103	500	500	500
42265	AUTO ALLOWANCE	(12)	-	500	500	500
42281	SMALL TOOLS	-	-	500	500	500
42299	OTHER EXPENSE	(10)	-	500	500	500
42408	TRAINING & EDUCATION	1,086	2,927	5,000	4,800	6,000
42415	CONFERENCE & MEETINGS	3,083	728	5,000	4,800	5,000
42423	MEMBERSHIP & DUES	450	1,119	1,500	950	2,000
42435	SUBSCRIPTION & PUB.	2,590	1,350	2,000	2,000	2,000
42526	MAINT - AUTO/TRUCKS	1,975	811	4,000	2,800	4,000
42531	MAINT - FURNITURE/OFFICE EQUIPMENT	1,116	636	8,000	2,900	6,000
42550	FLEET REPLACEMENT	8,575	20,431	-	-	-
42000s	<<SUPPLIES & SERVICES>>	157,725	125,217	270,300	172,250	270,138

[206-5130] Building Division

Acct	Description	01/02 Actuals	02/03 Actuals	03/04 Current Budget	03/04 Estimated Actual	04/05 Adopted Budget
43835	FURNITURE/OFFICE EQUIPMENT	-	2,304	-	-	8,000
43840	COMPUTER EQUIPMENT	8,803	2,415	-	-	-
43845	COMPUTER SOFTWARE	23,104	-	1,917	2,000	-
43000s	<<CAPITAL OUTLAY>>	31,907	4,719	1,917	2,000	8,000
44994	LEASE PAYMENTS	240	228	-	-	-
44000s	<<DEBT SERVICE>>	240	228	-	-	-
45000	GF ADMIN	103,548	121,919	131,907	131,907	117,840
45003	GENERAL LIABILITY INS	15,216	19,799	18,691	18,691	18,145
45004	BLDG MAINT SERVICES	25,766	29,972	41,262	41,262	24,630
45007	LEGAL SERVICES	165	-	-	-	-
45009	I.S. SERVICES	20,335	29,569	16,525	16,525	12,237
45000s	<<INTERNAL SERVICES>>	165,030	201,259	208,385	208,385	172,852
BUILDING DIVISION		802,824	844,132	1,016,487	927,596	1,038,955

[207-5170] General Plan Update

ACTIVITY DESCRIPTION

This activity involves update of the City's entire General Plan. The update, which was begun in FY 1998/99, was completed in July 2001. A separate update of the Housing Element to the General Plan was completed in May 2002. It is anticipated that numerous implementation measures will be adopted as part of the new General Plan. This budget includes, in FY 2004/05, staffing to undertake some of those implementation measures.

FY 2003/04 HIGHLIGHTS

- Completed updates and corrections to the General Plan Land Use Diagram
- Began work on the Urban Limit Line (Greenbelt) Study

FY 2004/05 ACTIVITY GOALS

- Complete Urban Limit Line study and begin preparation of the required Environmental Assessment.
- Amend General Plan and Zoning for the Downtown Area
- Amend the Circulation Element to include level of service standards for unsignalized intersections

FINANCIAL COMMENTS

The total cost of the General Plan update is paid for from a combination of General, Park Development Impact, Community Development, RDA, Housing, Sewer and Water Funds. FY 2004/05 includes \$30,000 under contract labor to complete the Advisory Committee recommendations on the Urban Limit Line Study.

[740-2115] Building Maintenance (Community and Cultural Center)

ACTIVITY DESCRIPTION

This has been an exciting year with the Community and Cultural Center, Community Playhouse, and Gavilan College facilities. The Building Maintenance activity is responsible for all repairs, maintenance and event set up for the Community and Cultural Center, the Community Playhouse, and the Gavilan College facility.

FY 2003/04 HIGHLIGHTS

- Staff continues to improve and enhance events set-up and maintenance activities.
- Improvements have enhanced the Amphitheater stage area and drainage systems have been installed to provide improvements to the landscaping area.
- Staff has been training to improve efficiency and improve customer service.
- Long term maintenance schedules have been finalized including hiring of contractors to provide preventive maintenance.

FY 2004/05 ACTIVITY GOALS

- Monitor staffing and continue training to improve efficiency.
- Provide enhanced customer service training.
- Provide safety training.

FINANCIAL COMMENTS

Operations and maintenance of the Community and Cultural Center is currently within the General Fund. Once these operations become more stable and provide better cost recovery, a new fund will be created to improve fiscal management and analysis.

Gavilan College responsibilities included the payment of common area maintenance, janitorial staffing and all supplies for their facilities.

For FY04/05, this program has moved from 010-5150 to 740-2115 for more effective fiscal management.

[740-2120] Building Maint. (Aquatics)

ACTIVITY DESCRIPTION

This will be our first year of maintenance for this facility. This activity will include all facility maintenance activities.

FY 2003/04 HIGHLIGHTS

- Start up and maintenance requirements have been determined.
- The hiring and training of janitorial staff for this facility have been accomplished.

FY 2004/05 ACTIVITY GOALS

- Monitor staffing and continue training to improve efficiency.
- Provide enhanced customer service training.
- Provide safety training.

FINANCIAL COMMENTS

Operations and maintenance of the Aquatic Center is currently within the General Fund. Once these operations become more stable and provide better cost recovery, a new fund will be created to improve fiscal management and analysis.

[740-5150] Building Maintenance

ACTIVITY DESCRIPTION

This activity is responsible for the repair and maintenance of all public buildings owned by the City and Redevelopment Agency (excluding the Library interior) and maintenance of all telephone and security systems for those facilities. The maintenance activities for the Community & Cultural Center site and the Aquatic Facility are not included in these activities.

FY 2003/04 HIGHLIGHTS

- Staff training has been completed to enhance efficiency.
- Safety training has been completed for maintenance personnel.
- Public Works building addition has been completed with Building Maintenance personnel providing project management.

FY 2004/05 ACTIVITY GOALS

- Train and cross train Janitorial personnel.
- Train maintenance personnel to determine additional responsibilities for the new Police facility.

FINANCIAL COMMENTS

The Building Maintenance Fund is an Internal Service Fund that accounts for the costs of maintaining City facilities by charging the City departments that use the facilities. Charges to departments include a replacement component so that funds will be accumulated to replace components as they wear out.

Starting with FY 01/02, staff began setting monies aside for Future Replacement. These monies will be used to replace major capital expenditures like an HVAC, new roof, kitchen stove, etc.

FY 01/02 Actual	149,986
FY 02/03 Actual	189,012
FY 03/04 Projected	249,012
<u>FY 04/05 Proposed</u>	<u>309,163</u>
Proposed total by 6/30/05	\$897,173

[740-5150] Building Maintenance

Acct Description	01/02 Actuals	02/03 Actuals	03/04 Current Budget	03/04 Estimated Actual	04/05 Adopted Budget
41100 SALARIES-GENERAL	35,875	53,974	124,472	56,490	114,693
41270 SALARIES-PART-TIME	43,086	67,442	-	51,280	-
41280 SALARIES-P.T.-REIMB	-	202	-	520	-
41320 SALARIES-OTHER PAYOUT	3,231	3,780	-	2,830	-
41490 OVERTIME-GENERAL	-	1,756	-	1,500	1,500
41500 OVERTIME-SAFETY	82	105	-	-	-
41560 UNEMP. INS	10	18	718	240	1,101
41620 RETIREMENT-GENERAL	5,187	8,169	11,234	9,180	16,733
41690 DEFERRED COMPENSATION	12	456	465	850	475
41700 GROUP INSURANCE	6,619	15,139	20,310	16,530	23,856
41701 MEDICARE	696	1,299	1,805	950	1,663
41730 INCOME PROTECTION INS	1,178	2,077	2,286	1,920	1,945
41760 WORKERS COMP	2,112	6,351	7,014	7,005	8,483
41000s <<EMPLOYEE SERVICES>>	98,087	160,768	168,304	149,295	170,449
42208 ELECTRIC	55,831	78,021	80,000	75,000	145,000
42210 WATER/SEWER	-	26,854	22,399	-	-
42214 TELEPHONE	19,599	7,631	8,000	8,000	5,340
42231 CONTRACT SERVICES	97,884	71,277	65,000	65,000	65,000
42240 RENTALS - OUTSIDE	-	-	1,000	-	1,000
42242 RENTS	7,269	1,216	-	-	-
42244 STATIONERY & OFFICE SUPPLIES	-	-	200	200	200
42248 OTHER SUPPLIES	24,444	11,725	15,100	15,000	15,000
42250 ADVERTISING	1,245	-	-	-	-
42254 POSTAGE & FREIGHT	20	59	80	50	50
42280 PROPERTY MANAGEMENT	5,295	-	-	-	-
42281 SMALL TOOLS	-	-	500	500	500
42408 TRAINING & EDUCATION	-	-	1,000	4,725	-
42415 CONFERENCE & MEETINGS	-	65	-	65	-
42510 MAINT - BLDGS/IMPROVEMENTS	210,113	114,343	229,002	105,000	125,000
42523 MAINT - MACHINE/EQUIPMENT	-	-	500	-	-
42526 MAINT - AUTO/TRUCKS	2,948	5,121	4,000	4,150	5,200
42536 MAINT - OTHER	3,841	28	2,000	1,000	2,000
42000s <<SUPPLIES & SERVICES>>	428,488	316,342	428,781	278,690	364,290
43835 FURNITURE/OFFICE EQUIPMENT	1,650	-	-	-	-
43000s <<CAPITAL OUTLAY>>	1,650	-	-	-	-
45003 GENERAL LIABILITY INS	12,984	15,286	13,946	13,946	6,577
45000s <<INTERNAL SERVICES>>	12,984	15,286	13,946	13,946	6,577
49222 TRANSFER OUT-347 (PUBLIC FACILITIES)	-	-	54,000	54,000	-
49000s <<TRANSFERS>>	-	-	54,000	54,000	-
BUILDING MAINTENANCE	541,209	492,395	665,031	495,931	541,316

Public Works

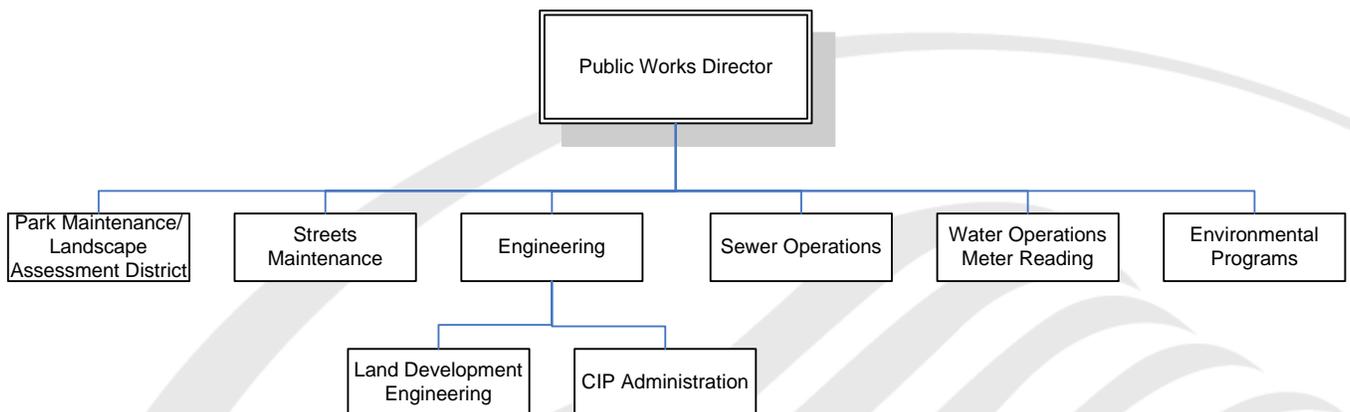
[010-5440] [202-6100] [206-5410] [229-8351] [232-5800]
 [640-5900] [650-5710] [650-5720] [650-5760] [745-8280]

Appropriations Summary

	01/02 Actuals	02/03 Actuals	03/04 Current Budget ¹	03/04 Estimated Actuals	04/05 Adopted Budget
Salaries	3,848,085	4,338,462	4,785,058	4,570,997	5,315,595
Supplies & Services	6,605,011	7,417,389	9,821,576	9,138,150	9,101,675
Capital Outlay	347,058	395,219	406,522	433,838	359,300
Debt Services	2,299,689	1,728,424	2,520,065	2,238,879	2,105,925
Internal Service	1,069,103	1,307,363	1,390,281	1,390,281	1,449,691
Transfers Out	3,584,338	2,968,877	1,950,785	3,450,785	788,100
Project Expenditure	-	-	-	-	-
PUBLIC WORKS	17,753,285	18,155,733	20,874,287	21,222,930	19,120,286

010	5440	PARK MAINTENANCE OPERATION	648,244	834,892	822,840	760,427	705,572
202	6100	STREET MAINTENANCE OPERATI	1,254,231	1,509,091	1,672,928	1,574,870	1,593,914
206	5410	ENGINEERING	952,009	946,372	1,072,275	1,040,447	1,096,107
229	8351	LIGHTING & LANDSCAPE	136,633	163,722	167,001	154,005	140,038
232	5800	SOLID WASTE MGMT	232,248	269,108	499,894	428,202	417,937
640	5900	SEWER OPERATIONS	6,123,289	5,885,433	7,513,797	7,066,265	6,450,819
650	5710	WATER OPERATIONS	6,858,631	6,716,725	6,894,996	8,170,105	6,541,316
650	5720	METER READING/REPAIR	448,227	634,855	669,538	648,114	719,352
650	5760	WATER CONSERVATION	13,048	3,047	8,213	8,212	59,466
745	8280	CIP ADMINISTRATION	1,086,725	1,192,489	1,552,806	1,372,283	1,395,765
DEPARTMENT TOTAL			17,753,285	18,155,733	20,874,287	21,222,930	19,120,286

¹ FY03/04 Adopted Budget: \$19,499,086





[010-5440] Park Maintenance

ACTIVITY DESCRIPTION

The Park Maintenance Division is responsible for the maintenance of approximately 57 acres of City parks, the Civic Center, and other City facilities. The Division also manages Fox Hollow/Murphy Springs Lighting and Landscape Assessment District through contract services. The assessment district includes 20 sub areas consisting of open landscaped areas and approximately six acres of developed "mini-park" space.

In order to meet the City's General Fund budget challenges in the 2004/05 Fiscal Year the Parks Division was required to reduce its budget by \$125,000 (15%). To accomplish this, two full time Groundskeeper positions were eliminated (\$87,000) plus a reduction of \$38,000 in services and supplies. The reduction will result in the following non-critical services being eliminated: development of an Integrated Pest Management Program and staff assistance with special projects (e.g., Creek Clean-up Day, City Beautification Day, Seasonal BBQ cleaning and reservation posting). Further, the following contract and in-house services will be reduced: tree trimming, rodent control, broadleaf weed control, ability to respond to irrigation repair needs, reduction of fertilization, aeration, and re-seeding. Efforts will be made to limit the negative effects of reductions in turf maintenance to "fringe" areas, thus making our ball fields and areas of heavier park use a priority. This service reduction results in a 4 day non-emergency response time for customer related work orders as shown under the Performance Measures Section.

Staffing of the Parks Division has been as follows over the past decade:

<u>Fiscal Year</u>	<u>FTE's</u>
1990-91	6
1991-92 through 1996	2
1996-97 through 2000	4
2000-01 through 2004	7
2004-05	5

The FY 2004/05 program will continue to focus on safety, cleanliness, preservation of facilities and landscaping, and prioritizing maintenance tasks in order to achieve priority goals.

FY 2003/04 HIGHLIGHTS

- Tracked response time for customer work orders
- To improve water quality cleaned Community Park pond, fountain supply lines and replaced aeration pump and motor
- Assumed maintenance responsibilities for Butterfield Boulevard landscaping and pathway
- Renovated ramps at the interim skateboard park
- Evaluated conditions and improvement priorities at 22 assessment district parks and roadside landscaping areas
- La Crosse ½ mile pathway patching and root removal
- Galvan Park installation of new park benches and trash receptacles
- Began renovation of Downtown tree planters to minimize over watering that is affecting health of trees
- Completed Community Park Master Management Plan

[010-5440] Park Maintenance

FY 2004/05 ACTIVITY GOALS

- Evaluate benefits and costs of automating and centralizing irrigation management
- Evaluate assessment district water use and set a goal of 15%-20% water use reduction
- With resource reductions, continue to prioritize work and seek ways to improve efficiency
- Renovate turf at Nordstrom Park, Paradise Park and Civic Center

FINANCIAL COMMENTS

The FY 2004/05 Budget reflects the City's General Fund reduction challenges by reducing the Park's Division by 20%.

<u>PERFORMANCE MEASURES</u>	<u>FY 02/03</u> <u>ACTUAL</u>	<u>FY 03/04</u> <u>PROJ.</u>	<u>FY 04/05</u> <u>GOAL</u>
• Average Customer Work Order Response Time:			
- Non-Emergency	2.5 Days	2 Days	4 Days
- Emergency	0	30 minutes	30 minutes
• Annual Maintenance Cost/Acre	\$14,136	\$13,971	\$12,493

[010-5440] Park Maintenance

Acct	Description	01/02 Actuals	02/03 Actuals	03/04 Current Budget	03/04 Estimated Actual	04/05 Adopted Budget
41100	SALARIES-GENERAL	284,999	252,365	340,926	148,695	273,550
41320	SALARIES-OTHER PAYOUT	2,810	3,441	2,700	2,417	2,500
41490	OVERTIME-GENERAL	8,067	10,726	9,600	2,982	3,000
41560	UNEMP. INS	41	38	1,125	422	1,600
41620	RETIREMENT-GENERAL	20,213	18,188	32,817	12,851	41,631
41690	DEFERRED COMPENSATION	655	461	524	1,104	499
41700	GROUP INSURANCE	34,834	31,596	53,405	20,220	54,364
41701	MEDICARE	3,111	3,130	4,943	1,388	3,966
41730	INCOME PROTECTION INS	4,537	3,858	4,789	2,373	3,710
41760	WORKERS COMP	18,847	16,977	27,867	27,723	25,423
41799	BENEFITS	486	313	-	306	-
41800	UNIFORM	8,665	4,989	6,000	3,262	4,150
41900	CONTRACT LABOR	49,775	127,207	-	137,484	-
41000s	<<EMPLOYEE SERVICES>>	437,040	473,290	484,696	361,227	414,393
42208	ELECTRIC	7,819	10,503	10,250	12,096	12,100
42210	WATER/SEWER	159	89,757	104,000	94,480	89,200
42214	TELEPHONE	711	870	650	980	1,064
42228	GASOLINE & OIL	4,342	4,100	7,500	3,794	3,800
42231	CONTRACT SERVICES	80,477	115,041	121,697	227,067	105,150
42240	RENTALS - OUTSIDE	2,173	1,385	2,000	366	375
42242	RENTS	9,318	7,633	-	-	13,333
42244	STATIONERY & OFFICE SUPPLIES	265	316	300	217	225
42248	OTHER SUPPLIES	38,810	57,215	49,600	27,037	35,675
42250	ADVERTISING	2,971	341	1,500	-	250
42254	POSTAGE & FREIGHT	52	31	50	511	340
42257	PRINTING	575	422	300	150	150
42265	AUTO ALLOWANCE	(9)	-	-	-	-
42281	SMALL TOOLS	952	1,639	2,515	2,082	2,000
42299	OTHER EXPENSE	5	37	75	-	-
42301	REIMBURSEMENTS	-	10,000	-	-	-
42408	TRAINING & EDUCATION	3,701	1,305	3,500	507	1,000
42415	CONFERENCE & MEETINGS	175	139	-	-	-
42423	MEMBERSHIP & DUES	195	365	365	-	100
42435	SUBSCRIPTION & PUB.	48	125	125	-	100
42523	MAINT - MACHINE/EQUIPMENT	8,864	9,170	10,000	7,641	8,000
42526	MAINT - AUTO/TRUCKS	5,583	9,357	10,000	8,255	9,000
42531	MAINT - FURNITURE/OFFICE EQUIPMENT	46	185	300	-	150
42536	MAINT - OTHER	916	-	500	-	-
42550	FLEET REPLACEMENT	23,962	29,648	-	-	-
42000s	<<SUPPLIES & SERVICES>>	192,112	349,584	325,227	385,183	282,012

[202-6100] Street Maintenance

ACTIVITY DESCRIPTION

The Street Maintenance Division combines in-house and contract services to maintain and repair: asphalt roadways; sidewalks; curbs; gutters; roadway shoulders; alleys; medians and parkways; street signs; pavement markings; street sweeping; storm station pump repair; City street tree trimming; traffic signals; street lights; storm drains; and the cleaning and repair of catch basins, ditches, and drainage channels.

Maintenance Supervisor and Maintenance Worker II vacancies, and infrequent but heavy winter storms inhibited our effectiveness in achieving FY 2003/04 Activity Goals of catching up backlog of utility cut asphalt patching and pavement striping. In spite of the challenges of position vacancies, with the use of the Division's new mower and a truck converted for "boom" spraying, the Division was able to weed abate over 25 curb miles by early summer and used over 100 tons of asphalt for roadway patching.

The Division did track debris removed by street sweeping, meet Average Customer Work Order Response Times, and completed roadside vegetation abatement work in accordance with Division performance measures. The Division also completed \$50,000 in sidewalk repair/replacement and related street tree replacement planting. This effort will continue in FY 2004/05.

Through the efforts of the interim Maintenance Supervisor, the Division established a storm drain "hot spot" map and checklist. This effectively identified work areas and priorities. Using this information, staff created maintenance checklists thus establishing a simple method of scheduling routine maintenance work. In spite of a limited budget and position vacancies staff is now more effective in seasonal maintenance of the storm drain system. Staff will apply this approach to all maintenance programs within the Division thereby improving effectiveness and efficiency.

FY 2003/04 HIGHLIGHTS

- Completed \$50,000 in concrete sidewalk repair/replacement including replanting street trees where removed
- Achieved performance measure goal for customer work order response time
- Completed storm Hot Spot Map and checklist and began work on maps and prioritized lists for vegetation abatement, AC patching, street striping, and tracking sidewalk ramping program
- With the assistance of a biologist, began the process of identifying red-legged frog habitat to avoid habitat destruction during routine cleaning of flood channels and ditches
- Created zone maps initiating a more systematic permanent asphalt patching program
- Through a collaborative process involving all Division employees, complete a seasonal priority workplan
- Re-graded and cleaned Teresa, Jackson Oaks and Thomas Grade ditches.
- Identified guard rails and rail road crossings requiring repair and began specification and bidding process.

[202-6100] Street Maintenance

Acct	Description	01/02 Actuals	02/03 Actuals	03/04 Current Budget	03/04 Estimated Actual	04/05 Adopted Budget
41100	SALARIES-GENERAL	174,709	248,686	359,940	308,417	381,797
41320	SALARIES-OTHER PAYOUT	1,640	2,915	3,250	6,875	6,900
41490	OVERTIME-GENERAL	26,963	38,307	22,000	17,699	17,700
41560	UNEMP. INS	37	36	1,037	389	2,005
41620	RETIREMENT-GENERAL	8,739	16,339	33,300	26,131	56,998
41690	DEFERRED COMPENSATION	990	1,124	1,255	2,912	1,315
41700	GROUP INSURANCE	20,559	31,373	49,325	45,094	66,618
41701	MEDICARE	2,456	3,088	5,219	3,892	5,536
41730	INCOME PROTECTION INS	2,139	3,689	4,775	4,606	4,951
41760	WORKERS COMP	9,231	14,102	26,348	26,273	32,784
41799	BENEFITS	723	759	-	764	-
41800	UNIFORM	5,351	6,051	5,285	4,313	5,285
41900	CONTRACT LABOR	47,989	54,452	-	7,502	-
41000s	<<EMPLOYEE SERVICES>>	301,526	420,920	511,734	454,867	581,889
42205	TAXES	187	100	150	103	100
42208	ELECTRIC	318,570	296,221	298,000	265,831	275,000
42214	TELEPHONE	1,311	1,991	1,500	1,305	1,417
42217	SURETY BOND	18	-	-	-	-
42219	GENERAL LIABILITY INS	-	72	-	-	-
42228	GASOLINE & OIL	5,412	5,379	11,500	3,546	6,000
42231	CONTRACT SERVICES	260,590	400,790	488,689	543,991	377,900
42240	RENTALS - OUTSIDE	3,286	3,820	4,000	2,325	2,500
42242	RENTS	11,061	9,061	-	-	15,827
42244	STATIONERY & OFFICE SUPPLIES	806	868	800	595	500
42245	COMPUTER HARDWARE-NON CAPITAL	-	-	-	-	3,000
42246	COMPUTER SOFTWARE-NON CAPITAL	-	-	-	-	1,500
42248	OTHER SUPPLIES	54,515	92,312	84,900	38,894	73,700
42250	ADVERTISING	2,827	858	1,500	-	500
42252	PHOTOCOPYING	-	-	50	-	-
42254	POSTAGE & FREIGHT	209	64	175	257	150
42257	PRINTING	858	706	960	99	350
42265	AUTO ALLOWANCE	(14)	-	-	-	-
42281	SMALL TOOLS	2,719	1,828	3,600	3,202	2,500
42296	REIMB/SOUNDWALL FENC	5	-	-	-	-
42299	OTHER EXPENSE	464	1,340	820	563	950
42408	TRAINING & EDUCATION	7,898	3,072	4,000	2,630	3,500
42415	CONFERENCE & MEETINGS	380	450	250	-	-
42423	MEMBERSHIP & DUES	115	203	250	90	150
42435	SUBSCRIPTION & PUB.	426	1,239	1,300	227	500
42510	MAINT - BLDGS/IMPROVEMENTS	341	-	-	98	-
42523	MAINT - MACHINE/EQUIPMENT	18,659	14,667	22,896	20,095	18,500
42526	MAINT - AUTO/TRUCKS	12,837	35,545	16,000	15,408	19,500
42531	MAINT - FURNITURE/OFFICE EQUIPMENT	165	185	325	142	1,100
42536	MAINT - OTHER	736	-	400	-	-
42550	FLEET REPLACEMENT	54,326	55,755	38,945	38,945	-
42000s	<<SUPPLIES & SERVICES>>	758,709	926,527	981,010	938,346	805,144

[206-5410] Engineering

ACTIVITY DESCRIPTION

The Public Works Engineering Development Division provides development review/inspection services. It oversees all construction activities pertaining to the infrastructure constructed by developers within the City. This Division checks, approves, and keeps for the public record all improvement plans prepared by consultants. It reviews all private land development activities for conformance with City Standards, and checks and approves all maps in compliance with the Subdivision Map Act. In addition, the Division is responsible for implementing and maintaining a Storm Water Management Plan per the National Pollution Discharge Elimination System (NPDES) Phase II Program.

FY 2003/04 HIGHLIGHTS

- Residential development remained strong in FY2003/04. While commercial and industrial development is off due to the regional economic slump, considerable staff time was spent on projects under construction and for multiple inquiries about potential development. Staff assisted BAHS on numerous economic development projects
- The Division continued to utilize contract plan checking services to enable staff to handle the other land development and traffic issues
- Staff supported the Measure P (Micro-P, small projects, and affordable) scoring and evaluation process for residential development
- Staff worked with Regional Water Quality Control Board to develop the NPDES Phase II Storm Water Management Plan for the City

FY 2004/05 WORKPLAN

- Complete design drawings and construct Lift Station G

FY 2004/05 ACTIVITY GOALS

- Make continued improvements in the development review/inspections process
- Track initial plan check turnaround time to ensure that responses fall within the established time frame of 6 weeks
- Assist the Building Assistance and Housing Services Department with potential economic development projects
- Continue to provide a staff member from Public Works at City Hall to provide 'one-stop' customer service
- Implement the Storm Water Management Plan to comply with the City's NPDES Phase II permit

FINANCIAL COMMENTS

Commercial development activity in FY 2004/05 is expected to remain at FY 2003/04 levels. With the enactment of Measure C, a slight increase in residential development may be experienced in FY 2004/05 due to the release of additional building allotments. However, these allotments may not be accommodated by public improvements and therefore will not result in the collection of additional revenues. Engineering staffing will remain as is. Efficiency will be improved through training and computer-based tracking procedures.

[206-5410] Engineering

Acct	Description	01/02 Actuals	02/03 Actuals	03/04 Current Budget	03/04 Estimated Actual	04/05 Adopted Budget
41100	SALARIES-GENERAL	285,046	243,844	285,597	281,200	355,124
41320	SALARIES-OTHER PAYOUT	7,158	4,256	-	2,436	2,500
41490	OVERTIME-GENERAL	10,755	10,017	11,200	11,100	11,100
41560	UNEMP. INS	32	23	637	610	1,367
41620	RETIREMENT-GENERAL	13,925	14,512	23,507	21,500	45,505
41690	DEFERRED COMPENSATION	3,599	3,230	3,033	3,033	4,297
41700	GROUP INSURANCE	11,035	11,474	30,484	28,500	46,549
41701	MEDICARE	3,655	3,453	4,141	4,000	5,149
41730	INCOME PROTECTION INS	3,540	3,701	3,493	3,100	4,171
41760	WORKERS COMP	7,057	6,459	12,918	12,869	19,185
41799	BENEFITS	1,123	470	-	-	-
41800	UNIFORM	570	550	-	340	310
41900	CONTRACT LABOR	115,499	57,933	55,000	57,300	33,000
41000s	<<EMPLOYEE SERVICES>>	462,994	359,923	430,010	425,988	528,257
42214	TELEPHONE	3,054	2,312	2,200	2,200	2,946
42228	GASOLINE & OIL	1,155	1,416	1,350	1,550	1,550
42231	CONTRACT SERVICES	222,061	249,890	305,128	278,000	272,000
42240	RENTALS - OUTSIDE	-	-	100	100	100
42242	RENTS	314	257	-	-	449
42244	STATIONERY & OFFICE SUPPLIES	2,053	2,047	1,700	1,980	1,700
42245	COMPUTER HARDWARE-NON CAPITAL	-	-	-	-	3,200
42246	COMPUTER SOFTWARE-NON CAPITAL	-	-	-	-	2,200
42248	OTHER SUPPLIES	5,054	14,468	10,257	8,800	8,600
42250	ADVERTISING	2,030	-	3,500	1,500	1,500
42252	PHOTOCOPYING	10	5	1,030	1,000	900
42254	POSTAGE & FREIGHT	687	370	800	750	650
42257	PRINTING	1,370	338	2,080	2,080	2,080
42261	AUTO MILEAGE	470	834	700	700	700
42265	AUTO ALLOWANCE	(25)	-	-	-	-
42299	OTHER EXPENSE	283	352	400	400	350
42408	TRAINING & EDUCATION	2,910	4,964	2,900	2,900	2,800
42415	CONFERENCE & MEETINGS	463	808	820	600	600
42423	MEMBERSHIP & DUES	35	-	350	350	350
42435	SUBSCRIPTION & PUB.	277	950	750	750	720
42523	MAINT - MACHINE/EQUIPMENT	-	-	400	-	-
42526	MAINT - AUTO/TRUCKS	385	1,115	700	1,200	1,200
42531	MAINT - FURNITURE/OFFICE EQUIPMENT	15	30	650	650	620
42550	FLEET REPLACEMENT	2,326	1,922	-	-	-
42000s	<<SUPPLIES & SERVICES>>	244,927	282,079	335,815	305,510	305,215

[229-8351] Lighting & Landscape District

ACTIVITY DESCRIPTION

Lighting and Landscape Assessment District Funds are derived from special property taxes to support City maintenance services in certain park and landscape areas within residential developments. Proper maintenance of the properties benefit the owners. Assessment charges are collected by the County on property tax rolls and remitted to the City. There are currently 20 sub-areas in the Fox Hollow/Murphy Springs Lighting and Landscape Assessment District. Each lot within a specific sub-area is assessed the same amount.

The FY 2004/05 Budget request represents a 9% decrease over the FY 2003/04 adopted Budget. This is due to plans for containing costs in water use and extra costs for improvements and repair. This effort will be made to avoid, to the extent possible, a need to increase property owner assessments in several sub areas that are at, or approaching, the maximum assessment rate due to historically rising costs.

In FY 2001/02 three of the sub areas whose assessments were at the maximum rate and costs were exceeding revenues collected, a Proposition 218 vote was conducted. The property owners did not approve the proposed increase in assessment rates. Consequently, staff met with the property owners of the three sub areas and discussed how to reduce services. Though each of these sub areas has a large deficit fund balance, the reduction in services has been effective in bringing expenses and revenues more in balance and is slowly reducing the deficit fund balances.

FY 2003/04 HIGHLIGHTS

- Completed maintenance of all sub areas, including necessary repairs or improvements, and maintained a positive fund balance for the District overall
- Managed the landscape services contractor efficiently by minimizing maintenance costs where possible
- Revised our bid specifications and conducted a public bidding process for the maintenance services contract

FY 2004/05 ACTIVITY GOALS

- Manage all costs to maintain a modest positive fund balance and/or continue reduction of existing deficit balances

FINANCIAL COMMENTS

Maintenance services are provided through contract services and are paid by annual assessments from the property owners benefiting from the improvements.

[232-5800] Solid Waste Management

ACTIVITY DESCRIPTION

The Environmental Programs - Solid Waste Management Division develops and implements waste reduction programs to meet the requirements of the California Integrated Waste Management Act of 1989 (AB 939). These programs include source reduction, recycling, composting, public education, and household hazardous waste management. The Division is also responsible for administering the City's franchise agreement for solid waste management services. This activity has been moved into the Public Works Department beginning this fiscal year.

FY 2003/04 HIGHLIGHTS

- Substantially negotiated franchise extension with solid waste hauler for additional recycling services
- Continued to promote a variety of recycling programs for businesses and residents to reach the 50% diversion rate
- Held City Beautification Day event and initiated flower bulb distribution system.

FY 2004/05 WORKPLAN

- Expand curbside recycling program
- Establish daffodil distribution program

FY 2004/05 ACTIVITY GOALS

- Comprehensively Inform the public about additions to the City's recycling program
- Continue to aggressively promote waste reduction programs in order to exceed State diversion mandates
- Promote recycling in the schools
- Provide one-on-one technical assistance to new and existing businesses
- Administer the solid waste franchise to ensure that excellent customer services continue to be provided

FINANCIAL COMMENTS

Division activities are funded by a 6% franchise fee on solid waste management services.

PERFORMANCE MEASURES	FY 02/03	FY 03/04	FY 04/05
	ACTUAL	PROJ.	GOAL
• Dollars spent communicating recycling information ... (excluding employee services)	\$87,044	\$86,500	\$61,500
• Tons of recycling collected	8,992	9,300	9,600
• Number of environmental promotions distributed	10	13	12
• Percentage of customers ranking their solid waste management services "good" or "excellent"	N/A	94%	N/A
• Percentage of customers who say they have enough information to properly participate in the City's recycling program	N/A	79%	N/A
• Percentage of customers participating in the recycling program	63%	63%	65%
• Solid waste diversion rate	47%	50%	51%
• Dollars spent communicating recycling information / ton of recycling collected	\$9.68/ton	\$9.30/ton	\$6.40/ton

[232-5800] Solid Waste Management

Acct	Description	01/02 Actuals	02/03 Actuals	03/04 Current Budget	03/04 Estimated Actual	04/05 Adopted Budget
41100	SALARIES-GENERAL	40,234	53,536	75,482	55,811	77,091
41270	SALARIES-PART-TIME	12,846	19,102	1,854	18,254	-
41320	SALARIES-OTHER PAYOUT	2,053	2,725	4,000	4,000	4,000
41490	OVERTIME-GENERAL	-	192	2,000	2,000	2,000
41560	UNEMP. INS	4	7	203	-	392
41620	RETIREMENT-GENERAL	1,084	2,172	3,372	-	7,778
41690	DEFERRED COMPENSATION	1,538	2,087	2,767	-	2,848
41700	GROUP INSURANCE	3,484	6,913	6,999	-	7,568
41701	MEDICARE	735	1,156	1,094	-	1,118
41730	INCOME PROTECTION INS	819	1,283	986	-	986
41760	WORKERS COMP	1,213	1,948	2,340	2,337	3,172
41799	BENEFITS	-	-	-	17,035	-
41000s	<<EMPLOYEE SERVICES>>	64,009	91,121	101,097	99,437	106,953
42214	TELEPHONE	1,672	1,369	1,700	1,700	1,084
42228	GASOLINE & OIL	-	48	-	100	100
42231	CONTRACT SERVICES	41,453	67,482	111,697	120,000	64,500
42244	STATIONERY & OFFICE SUPPLIES	404	222	400	400	400
42248	OTHER SUPPLIES	1,952	2,277	3,000	2,000	2,000
42250	ADVERTISING	2,581	1,788	10,000	4,000	4,000
42252	PHOTOCOPYING	122	26	1,879	1,879	1,879
42254	POSTAGE & FREIGHT	4,415	5,167	7,000	5,000	3,000
42257	PRINTING	44,107	28,898	48,152	30,000	25,000
42299	OTHER EXPENSE	48,944	51,270	92,026	40,000	40,000
42408	TRAINING & EDUCATION	381	-	1,000	1,000	1,000
42415	CONFERENCE & MEETINGS	2,722	419	-	698	400
42423	MEMBERSHIP & DUES	59	765	350	375	375
42435	SUBSCRIPTION & PUB.	-	14	-	20	50
42531	MAINT - FURNITURE/OFFICE EQUIPMENT	985	918	-	-	-
42000s	<<SUPPLIES & SERVICES>>	149,797	160,662	277,204	207,172	143,788
43840	COMPUTER EQUIPMENT	2,479	-	-	-	-
43845	COMPUTER SOFTWARE	355	-	-	-	-
43000s	<<CAPITAL OUTLAY>>	2,834	-	-	-	-
44994	LEASE PAYMENTS	332	315	-	-	-
44000s	<<DEBT SERVICE>>	332	315	-	-	-
45000	GF ADMIN	15,276	16,062	17,378	17,378	15,525
45003	GENERAL LIABILITY INS	-	947	736	736	512
45009	I.S. SERVICES	-	-	3,479	3,479	3,059
45000s	<<INTERNAL SERVICES>>	15,276	17,009	21,593	21,593	19,096
49201	TRANSFER OUT-202 (STREET MAINTENANCI	-	-	100,000	100,000	100,000
49210	TRANSFER OUT-010 (GENERAL FUND)	-	-	-	-	48,100
49000s	<<TRANSFERS>>	-	-	100,000	100,000	148,100
SOLID WASTE MANAGEMENT		232,248	269,108	499,894	428,202	417,937

[640-5900] Sewer Operations

ACTIVITY DESCRIPTION

The Sewer Operations Division protects public health and safety by ensuring that wastewater is properly collected, treated and discharged. This includes planning, design, maintenance, and repair of all sanitary sewer mains and sewer lift stations within the city. Collection system effluent is transported via an interceptor to the wastewater treatment facility located in Gilroy, where it is treated and discharged. This plant is owned and operated by the South County Regional Wastewater Authority (SCRWA) under a Joint Powers Agreement with the Cities of Morgan Hill and Gilroy.

The City owns, and therefore funds, 41.9% of the capital expansion costs at the wastewater treatment facility. The City pays the facility's annual operations and maintenance costs based on actual annual flow as recorded by flow meters. For budgeting purposes this year, the SCRWA budget proposes a 43% Morgan Hill / 57% Gilroy split; will review closely in spring 2005 when the flow split is established for budget purposes.

FY 2003/04 HIGHLIGHTS

- Completed design upgrade of Supervisory Control and Data Acquisition System
- Initiated a comprehensive sewer main flushing program to reduce sewer blockages
- Infiltration and inflow (I and I) identification program continued
- Completed rehabilitation of B Lift Station
- Completed sewer main survey around Peak and Main and W. Dunne areas for sewer main replacement
- Initiated design of sewer main replacement for Peak and Main, and W. Dunne areas
- Identified areas for root treatment in the Holiday and Jackson Oaks areas
- Replaced generator and transfer switch at Lift Station C for improved reliability in the time of power outages

FY 2004/05 WORKPLAN

- Determine design of improvements needed to reduce infiltration and inflow

FY 2004/05 ACTIVITY GOALS

- Complete Supervisory Control and Data Acquisition System upgrade
- Complete a comprehensive sewer main flushing program to optimize the effectiveness of sewer main flushing
- Determine design of improvements needed to reduce infiltration and inflow
- Track response time for customer work orders
- Track number of sewer main restrictions cleared
- Locate, identify, and rehabilitate clean outs and sewer manholes
- Initiate construction for sewer main replacement on Peak-Main and W. Dunne Avenue
- Implement root treatment in the Jackson Oaks and Holiday areas

<u>PERFORMANCE MEASURES</u>	<u>FY 02/03</u> <u>ACTUAL</u>	<u>FY 03/04</u> <u>PROJ.</u>	<u>FY 04/05</u> <u>GOAL</u>
• Average Customer Work Order Response Time			
- Non-Emergency	20 hours	1.6 Days	2 Days
- Emergency	12 minutes	30 minutes	30 minutes
• Sewer Main Restrictions Cleared	29	24	25
• LF Sewer Main Flushed	705,035	714,900	715,000

[640-5900] Sewer Operations

Acct	Description	01/02 Actuals	02/03 Actuals	03/04 Current Budget	03/04 Estimated Actual	04/05 Adopted Budget
41100	SALARIES-GENERAL	581,524	625,488	690,340	612,370	727,635
41320	SALARIES-OTHER PAYOUT	10,528	13,111	6,000	14,715	15,000
41490	OVERTIME-GENERAL	14,578	16,802	20,000	26,630	30,000
41560	UNEMP. INS	65	63	1,820	683	3,499
41620	RETIREMENT-GENERAL	31,041	36,842	58,463	48,735	103,268
41690	DEFERRED COMPENSATION	5,276	6,069	5,954	8,514	5,988
41700	GROUP INSURANCE	53,812	66,590	86,885	81,027	118,616
41701	MEDICARE	8,244	9,628	10,010	9,302	10,551
41730	INCOME PROTECTION INS	7,618	9,494	8,924	9,759	9,193
41760	WORKERS COMP	32,858	31,863	45,679	45,596	57,619
41799	BENEFITS	1,752	1,939	-	1,784	-
41800	UNIFORM	7,037	7,593	9,470	9,282	9,470
41900	CONTRACT LABOR	30,200	54,795	-	53,416	-
41000s	<<EMPLOYEE SERVICES>>	784,534	880,277	943,545	921,813	1,090,839
42208	ELECTRIC	19,743	19,030	33,000	16,033	25,000
42210	WATER/SEWER	-	-	-	65	-
42214	TELEPHONE	1,977	1,708	2,300	1,619	1,758
42228	GASOLINE & OIL	7,863	10,546	17,500	9,750	15,000
42231	CONTRACT SERVICES	44,871	102,175	191,040	162,923	145,525
42240	RENTALS - OUTSIDE	5,885	126	5,000	383	5,000
42242	RENTS	28,310	23,192	-	-	40,510
42244	STATIONERY & OFFICE SUPPLIES	1,605	1,990	2,500	1,025	2,000
42245	COMPUTER HARDWARE-NON CAPITAL	-	-	-	-	7,500
42246	COMPUTER SOFTWARE-NON CAPITAL	-	-	-	-	4,500
42248	OTHER SUPPLIES	63,667	74,778	73,303	69,638	72,160
42250	ADVERTISING	300	863	500	-	500
42254	POSTAGE & FREIGHT	49	43	50	223	200
42257	PRINTING	285	653	750	99	500
42265	AUTO ALLOWANCE	(35)	-	-	-	-
42270	SEWER CHRGS MAINT/OPS (SCRWA)	2,210,383	2,296,475	2,653,494	2,653,494	2,733,717
42273	WATER/SEWER MAINT.SERVICES	1,584	5,716	138,657	56,730	92,500
42281	SMALL TOOLS	7,032	8,869	4,000	3,800	4,500
42299	OTHER EXPENSE	213	1,442	475	-	475
42408	TRAINING & EDUCATION	6,369	4,669	8,500	370	8,500
42415	CONFERENCE & MEETINGS	645	364	1,200	-	1,000
42423	MEMBERSHIP & DUES	261	486	500	882	1,000
42435	SUBSCRIPTION & PUB.	-	936	600	20	600
42523	MAINT - MACHINE/EQUIPMENT	5,950	7,021	7,500	9,467	10,000
42526	MAINT - AUTO/TRUCKS	54,625	29,493	44,000	21,741	30,000
42531	MAINT - FURNITURE/OFFICE EQUIPMENT	281	145	500	360	500
42536	MAINT - OTHER	468	-	500	516	6,000
42550	FLEET REPLACEMENT	73,722	48,939	148,391	148,391	-
43830	AUTO/TRUCKS	-	-	-	2,745	-
42000s	<<SUPPLIES & SERVICES>>	2,536,053	2,639,659	3,334,260	3,160,274	3,208,945

[640-5900] Sewer Operations

Acct	Description	01/02 Actuals	02/03 Actuals	03/04 Current Budget	03/04 Estimated Actual	04/05 Adopted Budget
43825	MACHINERY/EQUIPMENT	29,549	23,665	27,245	61,884	11,500
43820	OTHER IMPROVEMENTS	-	-	1,200	1,514	-
43835	FURNITURE/OFFICE EQUIPMENT	5,886	1,375	2,500	768	-
43840	COMPUTER EQUIPMENT	5,688	1,965	11,187	10,628	3,000
43845	COMPUTER SOFTWARE	4,444	-	5,000	4,750	12,000
43000s	<<CAPITAL OUTLAY>>	45,567	27,006	47,132	79,544	26,500
44990	PRINCIPAL	655,000	635,000	1,115,000	1,115,000	975,000
44991	INTEREST	1,009,138	527,714	856,625	566,989	573,410
44994	LEASE PAYMENTS	1,049	949	-	1,100	-
44995	SERVICE FEES	18,763	9,793	-	4,310	-
44000s	<<DEBT SERVICE>>	1,683,950	1,173,456	1,971,625	1,687,399	1,548,410
45000	GF ADMIN	177,228	211,522	228,851	228,851	204,446
45003	GENERAL LIABILITY INS	26,634	31,356	28,608	28,608	128,310
45004	BLDG MAINT SERVICES	18,779	22,716	31,273	31,273	18,780
45009	I.S. SERVICES	-	8,064	5,218	5,218	4,589
45000s	<<INTERNAL SERVICES>>	222,642	273,659	293,950	293,950	356,125
49201	TRANSFER OUT-202 (STREET MAINTENANCI	160,000	200,000	200,000	200,000	200,000
49210	TRANSFER OUT-010 (GENERAL FUND)	15,000	17,500	17,500	17,500	20,000
49222	TRANSFER OUT-347 (PUBLIC FACILITIES)	-	-	10,000	10,000	-
49262	TRANSFER OUT-643 (SEWER CIP)	500,000	500,000	500,000	500,000	-
49271	TRANSFER OUT-650 (WATER OPS)	175,543	173,877	195,785	195,785	-
49000s	<<TRANSFERS>>	850,543	891,377	923,285	923,285	220,000
	SEWER OPERATIONS	6,123,289	5,885,433	7,513,797	7,066,265	6,450,819



[650-5710] Water Operations

ACTIVITY DESCRIPTION

The City of Morgan Hill supplies water to approximately 11,000 residential and commercial/industrial establishments while ensuring that the water quality meets or exceeds health and environmental standards. The water is supplied from 13 wells located in, and adjacent to, the City. This Division maintains and repairs all wells, pumping stations, reservoirs, and pipelines. In addition, Division technical staff perform design and long range planning activities, and assures that water quality standards are met in compliance with the State's Department of Health Services regulations.

FY 2003/04 HIGHLIGHTS

- Effectively dealt with perchlorate contamination emanating from the Olin site
- Worked closely with Santa Clara Valley Water District (SCVWD) to supplement water deliveries
- Completed design of a new 1 million gallon reservoir at Boys Ranch site
- Completed preliminary design of rehabilitation of Jackson Oaks booster station
- Repaired all emergency water breaks
- Completed design upgrade of Supervisory Control and Data Acquisition System and began construction
- Completed construction of San Pedro Well Pump Station
- Completed construction of Main Well II Pump Station
- Replaced 600 lineal feet of Jackson Oaks Water Main
- Identified and installed isolation valves to reduce customer outage

FY 2004/05 WORKPLAN

- Update the Emergency Response Plan consistent with adopted Vulnerability Assessment by December 31, 2004

FY 2004/05 ACTIVITY GOALS

- Continue to deal with perchlorate contamination emanating from the Olin site
- Initiate a program to identify dead end water mains and expose and rehabilitate blow off valves
- Complete upgrade of Supervisory Control and Data Acquisition System
- Track response time for customer work orders
- Initiate construction of Jackson Oaks Booster Station
- Identify a site for drilling a new production well
- Initiate construction of Boy's Ranch 1 million gallon reservoir
- Identify and install isolation valves to reduce customer outages when water main breaks occur

FINANCIAL COMMENTS

FY 2004/05 costs have increased in special counsel, professional services, and lab analysis due to perchlorate contamination. Additionally, the budget increased to fund a 25% increase in the pump tax paid to the Santa Clara Valley Water District.

<u>PERFORMANCE MEASURES</u>	<u>FY 02/03</u> <u>ACTUAL</u>	<u>FY 03/04</u> <u>PROJ.</u>	<u>FY 04/05</u> <u>GOAL</u>
• Average Customer Work Order Response Time			
- Non-Emergency	21 hours	24 Hours	2 Days
- Emergency	22 minutes	30 minutes	30 minutes

[650-5710] Water Operations

Acct	Description	01/02 Actuals	02/03 Actuals	03/04 Current Budget	03/04 Estimated Actual	04/05 Adopted Budget
41100	SALARIES-GENERAL	585,863	711,164	745,065	699,972	790,003
41270	SALARIES-PART-TIME	-	191	-	-	-
41320	SALARIES-OTHER PAYOUT	18,915	9,882	6,000	17,780	18,000
41490	OVERTIME-GENERAL	48,663	60,473	60,570	88,567	80,000
41560	UNEMP. INS	70	68	1,992	747	3,868
41620	RETIREMENT-GENERAL	34,264	42,562	64,223	57,474	113,012
41690	DEFERRED COMPENSATION	4,273	5,142	5,747	8,618	5,988
41700	GROUP INSURANCE	64,571	77,465	95,018	91,960	140,524
41701	MEDICARE	8,580	9,901	10,803	10,462	11,455
41730	INCOME PROTECTION INS	7,967	10,190	9,686	10,801	10,046
41760	WORKERS COMP	34,943	38,413	50,543	50,492	63,407
41799	BENEFITS	1,640	1,711	-	1,671	-
41800	UNIFORM	7,633	7,068	10,175	5,458	10,175
41900	CONTRACT LABOR	45,569	48,355	-	41,903	-
41000s	<<EMPLOYEE SERVICES>>	862,949	1,022,583	1,059,822	1,085,905	1,246,478
42205	TAXES	1,005,316	952,360	1,332,666	1,257,000	1,571,250
42208	ELECTRIC	785,211	889,655	1,062,690	887,539	900,000
42214	TELEPHONE	20,989	22,368	25,000	15,171	16,471
42228	GASOLINE & OIL	12,057	18,877	31,792	35,984	40,000
42230	SPECIAL COUNSEL	-	37,050	206,000	206,000	-
42230	SPECIAL COUNSEL	-	-	-	-	200,000
42231	CONTRACT SERVICES	242,600	397,776	952,619	1,005,922	743,574
42240	RENTALS - OUTSIDE	18,993	908	7,600	5,992	7,000
42242	RENTS	29,855	24,457	-	-	42,720
42244	STATIONERY & OFFICE SUPPLIES	4,315	4,196	4,700	3,023	4,500
42245	COMPUTER HARDWARE-NON CAPITAL	-	-	-	-	7,500
42246	COMPUTER SOFTWARE-NON CAPITAL	-	-	-	-	4,500
42248	OTHER SUPPLIES	95,158	162,120	171,912	163,317	210,490
42250	ADVERTISING	522	929	900	261	500
42252	PHOTOCOPYING	-	-	-	37	-
42254	POSTAGE & FREIGHT	590	968	1,000	659	1,000
42257	PRINTING	2,379	2,073	2,000	2,048	2,000
42261	AUTO MILEAGE	-	-	-	44	-
42265	AUTO ALLOWANCE	(33)	-	-	-	-
42273	WATER/SEWER MAINT.SERVICES	13,401	26,644	85,032	50,020	81,500
42281	SMALL TOOLS	4,253	6,129	4,250	7,229	5,500
42299	OTHER EXPENSE	12,561	20,364	20,150	24,282	20,150
42408	TRAINING & EDUCATION	11,776	3,758	8,500	11,194	8,500
42415	CONFERENCE & MEETINGS	2,763	2,705	4,000	4,766	5,000
42423	MEMBERSHIP & DUES	2,112	3,614	4,000	4,483	5,000
42435	SUBSCRIPTION & PUB.	783	1,075	915	77	1,000
42510	MAINT - BLDGS/IMPROVEMENTS	-	1,525	1,500	-	1,500
42523	MAINT - MACHINE/EQUIPMENT	3,843	4,537	6,750	8,364	7,500
42526	MAINT - AUTO/TRUCKS	20,409	20,178	23,000	16,894	23,000
42531	MAINT - FURNITURE/OFFICE EQUIPMENT	360	185	500	362	1,100
42536	MAINT - OTHER	641	4,500	1,000	-	500
42550	FLEET REPLACEMENT	52,556	72,763	-	-	-
42000s	<<SUPPLIES & SERVICES>>	2,343,410	2,681,712	3,958,476	3,710,668	3,911,755

[650-5710] Water Operations

Acct	Description	01/02 Actuals	02/03 Actuals	03/04 Current Budget	03/04 Estimated Actual	04/05 Adopted Budget
43820	OTHER IMPROVEMENTS	-	-	1,008	1,322	-
43825	MACHINERY/EQUIPMENT	54,773	70,679	41,864	45,025	13,000
43835	FURNITURE/OFFICE EQUIPMENT	5,876	-	2,500	768	-
43840	COMPUTER EQUIPMENT	7,608	-	11,187	9,118	3,000
43845	COMPUTER SOFTWARE	5,503	-	5,000	2,160	12,000
43000s	<<CAPITAL OUTLAY>>	73,760	70,679	61,559	58,393	28,000
44990	PRINCIPAL	210,320	219,331	228,634	228,634	243,249
44991	INTEREST	395,695	326,622	316,806	316,806	310,296
44994	LEASE PAYMENTS	1,049	949	-	-	-
44995	SERVICE FEES	5,392	4,867	3,000	3,000	3,000
44000s	<<DEBT SERVICE>>	612,455	551,770	548,440	548,440	556,545
45000	GF ADMIN	188,832	233,911	253,073	253,073	226,085
45003	GENERAL LIABILITY INS	27,830	34,366	31,156	31,156	27,622
45004	BLDG MAINT SERVICES	29,877	36,138	49,752	49,752	29,878
45006	FLEET REPLACEMENT	-	-	-	-	90,364
45009	I.S. SERVICES	4,519	8,064	5,218	5,218	4,589
45000s	<<INTERNAL SERVICES>>	251,058	312,480	339,199	339,199	378,538
49200	TRANSFER OUT-ONE TIME	-	460,000	-	-	-
49201	TRANSFER OUT-202 (STREET MAINTENANCI	350,000	400,000	400,000	400,000	400,000
49210	TRANSFER OUT-010 (GENERAL FUND)	15,000	17,500	17,500	17,500	20,000
49222	TRANSFER OUT-347 (PUBLIC FACILITIES)	-	-	10,000	10,000	-
49273	TRANSFER OUT-653 (WATER REPLACE)	2,350,000	1,200,000	-	-	-
49277	TRANSFER OUT-651 (WATER IMPACT)	-	-	500,000	2,000,000	-
49000s	<<TRANSFERS>>	2,715,000	2,077,500	927,500	2,427,500	420,000
	WATER OPERATIONS	6,858,631	6,716,725	6,894,996	8,170,105	6,541,316

[650-5720] Meter Reading and Repair

ACTIVITY DESCRIPTION

The Water Meter Reading Division is responsible for reading, maintaining, upgrading, leak detection, installation and repair of residential and commercial water meters. Two Meter Readers service customer accounts while the third Meter Reader performs hydrant maintenance, valve exercising, meter change-outs and meter repairs or replacement. Division activities include testing meters for accuracy, verifying system pressures, and responding to customers with meter reading complaints. Meter reading results in billing based upon the customer's actual usage and provides accurate, timely feedback of customer consumption.

In FY 2003/04 the radio read meter conversion program moved forward by successfully installing an additional 1,000 radio read devices. At the present pace this program will complete all meter conversion to radio-read in nine years. As the number of water service connections continue to increase in the future, the time saved by this program will allow the City to continue the present level of service without increasing staff. As a result of this savings the FY2004/05 budget includes the initiation of an in-house meter testing program.

The Meter Reading Division also manages two specific maintenance programs in the water distribution system. One is the valve-exercising program, which verifies that mainline gate valves are operational throughout the distribution system. This permits effective isolation of water shut-downs in emergency situations, assists the Development Division with the tie-in of new systems, and improves water quality and fire flow. The second is the Hydrant Program, which is an ongoing effort to rebuild defective hydrants. Hydrant and water line valves are "exercised" to insure optimal performance. This program also provides routine flushing of water main lines, resulting in improved water quality.

FY 2003/04 HIGHLIGHTS

- Installed 1,000 additional radio-read devices in the Holiday hillside area as part of ongoing program to convert all meters to radio-read
- Identified meters with defective gas turn-offs and re-installed new curb stops, meters, boxes and lids, increasing reading efficiency and reducing injury liabilities
- Rebuilt defective hydrants as hydrant valves are "exercised" and hydrants are checked for flow
- Accomplished a less than 48 hour response time for meter installation requests.
- Developed and partially initiated in-house meter testing program to ensure meter performance and accuracy
- Exercised approximately 400 valves in the water distribution system
- Installed 270 new meters
- Accomplished the testing of twenty 2" water meters
- Accomplished 200 fire hydrant preventive maintenance procedures

FY 2004/05 ACTIVITY GOALS

- Install an additional 1000 radio read devices in the Woodland area/Northwest Region of the City continuing the pace for completion of the radio read/replacement program within a ten-year period
- Rebuild defective hydrants as hydrant valves were "exercised" and hydrants are checked for flow
- Maintain the less than 48-hour response time for meter installation requests
- Exercise 400 valves in the water distribution system
- Implement a comprehensive meter testing program as a result of continued increase in efficiencies gained from the installation of radio read devices

[650-5720] Meter Reading and Repair

Acct	Description	01/02 Actuals	02/03 Actuals	03/04 Current Budget	03/04 Estimated Actual	04/05 Adopted Budget
41100	SALARIES-GENERAL	176,670	174,021	176,476	175,869	186,250
41320	SALARIES-OTHER PAYOUT	2,805	1,562	1,500	5,084	5,000
41490	OVERTIME-GENERAL	1,629	3,467	3,500	5,509	5,000
41560	UNEMP. INS	19	16	477	179	924
41620	RETIREMENT-GENERAL	11,434	12,190	16,688	15,936	28,148
41690	DEFERRED COMPENSATION	842	448	534	1,483	562
41700	GROUP INSURANCE	20,326	20,753	22,692	24,473	37,465
41701	MEDICARE	1,157	918	2,559	1,051	2,701
41730	INCOME PROTECTION INS	2,384	2,524	2,316	2,677	2,397
41760	WORKERS COMP	11,072	10,918	14,238	14,220	17,311
41799	BENEFITS	-	-	-	66	-
41800	UNIFORM	1,669	1,969	2,525	1,591	2,525
41900	CONTRACT LABOR	-	-	-	170	-
41000s	<<EMPLOYEE SERVICES>>	230,008	228,786	243,505	248,308	288,283
42228	GASOLINE & OIL	2,390	2,931	4,750	3,111	4,000
42231	CONTRACT SERVICES	10,629	32,181	30,998	25,277	27,150
42240	RENTALS - OUTSIDE	-	-	75	-	-
42242	RENTS	697	571	-	-	997
42244	STATIONERY & OFFICE SUPPLIES	401	446	450	326	400
42246	COMPUTER SOFTWARE-NON CAPITAL	-	-	-	-	1,100
42248	OTHER SUPPLIES	20,165	11,951	28,700	20,842	24,800
42254	POSTAGE & FREIGHT	7	153	300	26	150
42257	PRINTING	-	234	400	-	250
42281	SMALL TOOLS	1,750	-	600	753	1,000
42408	TRAINING & EDUCATION	802	654	1,500	-	1,000
42415	CONFERENCE & MEETINGS	-	177	150	-	150
42423	MEMBERSHIP & DUES	-	70	-	-	-
42435	SUBSCRIPTION & PUB.	-	159	175	-	100
42523	MAINT - MACHINE/EQUIPMENT	-	325	1,000	188	500
42526	MAINT - AUTO/TRUCKS	7,337	4,026	8,000	7,539	8,000
42531	MAINT - FURNITURE/OFFICE EQUIPMENT	46	106	200	-	200
42536	MAINT - OTHER	410	268	1,050	-	350
42550	FLEET REPLACEMENT	2,453	2,382	-	-	-
42000s	<<SUPPLIES & SERVICES>>	47,089	56,634	78,348	58,062	70,147
43825	MACHINERY/EQUIPMENT	-	4,998	1,000	4,957	2,500
43835	FURNITURE/OFFICE EQUIPMENT	344	-	2,500	-	-
43840	COMPUTER EQUIPMENT	272	-	2,500	-	-
43845	COMPUTER SOFTWARE	1,310	-	3,100	-	-
43897	METERS	118,021	283,646	273,534	271,736	299,300
43000s	<<CAPITAL OUTLAY>>	119,946	288,643	282,634	276,693	301,800
45000	GF ADMIN	35,304	38,064	41,182	41,182	36,791
45003	GENERAL LIABILITY INS	8,119	7,964	7,465	7,465	6,594
45004	BLDG MAINT SERVICES	7,761	9,388	12,925	12,925	7,762
45006	FLEET REPLACEMENT	-	-	-	-	4,916
45009	I.S. SERVICES	-	5,376	3,479	3,479	3,059
45000s	<<INTERNAL SERVICES>>	51,185	60,792	65,051	65,051	59,122
	METER READING/REPAIR	448,227	634,855	669,538	648,114	719,352

[650-5760] Water Conservation

ACTIVITY DESCRIPTION

The Water Conservation Program develops and implements water conservation programs.

FY 2003/04 HIGHLIGHTS

- Responded to citizen requests for water conservation information
- Provided materials and program brochures developed by SCVWD to commercial and industrial customers
- Promoted water conservation in the community through the sharing of literature, newspaper and newsletter articles, direct targeted solicitations, and schoolbook covers

FY 2004/05 WORKPLAN

- Establish Drought Landscaping Ordinance

FY 2004/05 ACTIVITY GOALS

- Coordinate with the Santa Clara Valley Water District in promoting water conservation to both residents and businesses
- Work with the Planning Division and the development community on a comprehensive water conservation ordinance for new developments
- Enhance water conservation awareness in the community by communicating directly with residents, school children, and local businesses

FINANCIAL COMMENTS

Given the City's recent challenges in meeting the community's water demands, it is appropriate to enhance the City's water conservation programs. This budget increases both the staff time and supplies and services budget for this activity.

<u>PERFORMANCE MEASURES</u>	<u>FY 02/03</u> <u>ACTUAL</u>	<u>FY 03/04</u> <u>PROJ.</u>	<u>FY 04/05</u> <u>GOAL</u>
• Cooperative projects with the Santa Clara Valley Water District to reduce water consumption	2	2	2

[745-8280] CIP Administration

ACTIVITY DESCRIPTION

The Public Works Capital Improvement Program Division implements the annual capital improvements program. The division produces bid documents (plans, specifications, cost estimates) for capital projects with a combination of in-house and consultant staff. In addition, through the use of in-house and contract support, the Division provides inspection services for CIP projects. The Division is augmented by consultants as needed on technical specialty work or time-constrained projects.

The project support costs aggregated into this Division include:

- Personnel - For in-house engineering, design and inspection staff
- Supplies and Services – Consultant Services, printing, training and other related costs
- Capital Outlay - Special equipment, computers, vehicles and furniture to accommodate the staff implementing the project

FY 2003/04 HIGHLIGHTS

- Completed construction of the first phase of the City Aquatics Center
- Completed construction of Butterfield Blvd. extension from San Pedro to Tennant
- Completed construction of new and rehabilitated water pump stations (Main II and San Pedro)
- Completed Main Ave./UPRR Safety Improvement project
- Completed another phase of pavement rehabilitation program along Monterey Rd., south of Dunne
- Completed the SCADA Telemetry System upgrade
- Completed rehabilitation of Sewer Lift Station B
- Constructed Butterfield Blvd. Linear Park from Main to San Pedro
- Completed the acquisition of the new City fire station property
- Completed study of circulation in north part of city connecting Butterfield Blvd.
- Completed fencing at San Pedro Ponds Trail project

FY 2004/05 WORKPLAN

- Award contract and construct Tennant/101 southbound traffic signal
- Construct Boys' Ranch Reservoir
- Advertise for bids, award contract and begin construction of Indoor Recreation Center
- Complete alignment study for Butterfield connection to Watsonville Rd

FY 2004/05 ACTIVITY GOALS

- Begin construction of the City new Community Indoor Recreation Center
- Begin process for undergrounding Monterey Rd. overhead utilities from Dunne to Tennant
- Complete the widening of Tennant Ave. between Vineyard Blvd. and Monterey Rd.
- Complete the construction of the City new Lift Station G
- Continue upgrading the City's water and sewer distribution system
- Begin the design of the City new trunk sewer line to Gilroy
- Complete the rehabilitation of Jackson Booster Pump Station
- Complete the construction of a new City water well
- Complete construction of the Boys' Ranch Reservoir
- Complete Monterey/UPRR pedestrian access project

[745-8280] CIP Administration

Acct	Description	01/02 Actuals	02/03 Actuals	03/04 Current Budget	03/04 Estimated Actual	04/05 Adopted Budget
41100	SALARIES-GENERAL	386,853	534,360	709,855	525,400	672,190
41320	SALARIES-OTHER PAYOUT	9,995	9,150	-	8,200	8,200
41490	OVERTIME-GENERAL	8,442	18,978	19,500	18,050	18,050
41560	UNEMP. INS	42	45	1,407	1,390	2,581
41620	RETIREMENT-GENERAL	12,602	24,107	49,061	47,300	87,827
41690	DEFERRED COMPENSATION	8,728	8,443	9,199	8,700	8,263
41700	GROUP INSURANCE	31,831	47,872	67,982	63,500	82,677
41701	MEDICARE	5,242	7,278	10,293	9,800	9,747
41730	INCOME PROTECTION INS	4,573	7,278	8,321	7,800	7,828
41760	WORKERS COMP	8,831	12,853	28,809	28,697	33,985
41799	BENEFITS	2,134	2,771	-	-	-
41800	UNIFORM	733	404	-	330	250
41900	CONTRACT LABOR	206,956	175,815	85,000	232,500	60,000
41000s	<<EMPLOYEE SERVICES>>	686,961	849,353	989,427	951,667	991,598
42208	ELECTRIC	-	-	100	100	100
42214	TELEPHONE	2,698	2,445	2,300	2,300	2,946
42228	GASOLINE & OIL	298	(0)	300	300	350
42231	CONTRACT SERVICES	148,548	126,640	340,175	200,000	200,000
42242	RENTS	800	656	-	-	1,145
42244	STATIONERY & OFFICE SUPPLIES	12,548	13,034	12,700	12,600	12,400
42245	COMPUTER HARDWARE-NON CAPITAL	-	-	-	-	3,800
42246	COMPUTER SOFTWARE-NON CAPITAL	-	-	-	-	2,800
42248	OTHER SUPPLIES	6,785	12,751	11,257	11,100	10,800
42250	ADVERTISING	3,674	448	3,400	2,000	1,900
42252	PHOTOCOPYING	0	-	2,230	1,000	900
42254	POSTAGE & FREIGHT	3,321	4,023	3,500	3,410	3,200
42257	PRINTING	8,608	1,576	5,800	5,600	5,500
42261	AUTO MILEAGE	630	790	620	620	610
42265	AUTO ALLOWANCE	(45)	-	-	-	-
42298	BAD DEBT EXPENSE	38	-	-	-	-
42299	OTHER EXPENSE	392	356	1,800	1,800	1,700
42408	TRAINING & EDUCATION	3,071	4,010	3,400	2,500	3,400
42415	CONFERENCE & MEETINGS	1,495	288	2,200	1,500	1,500
42423	MEMBERSHIP & DUES	371	380	380	380	380
42435	SUBSCRIPTION & PUB.	367	1,034	1,100	1,100	1,200
42526	MAINT - AUTO/TRUCKS	1,069	1,685	1,400	1,400	1,400
42531	MAINT - FURNITURE/OFFICE EQUIPMENT	114	83	100	100	100
42550	FLEET REPLACEMENT	19,766	10,139	-	-	-
43825	MACHINERY/EQUIPMENT	-	-	-	210	-
42000s	<<SUPPLIES & SERVICES>>	214,547	180,337	392,762	248,020	256,131

Business Assistance and Housing Services (BAHS)

[215-8000] [216-8001] [234-8250] [235-8425] [236-7100]
 [317-7000] [317-8010] [317-8055] [327-7100]

Appropriations Summary

	01/02 Actuals	02/03 Actuals	03/04 Current Budget ¹	03/04 Estimated Actuals	04/05 Adopted Budget
Salaries	959,061	1,098,754	1,362,522	1,211,878	1,537,910
Supplies & Services	459,516	841,293	485,279	623,435	302,688
Capital Outlay	12,715	2,867	5,520	19,360	2,510
Debt Services	555	527	-	-	-
Internal Service	506,507	631,337	654,989	654,989	586,958
Transfers Out	1,155,322	5,500	100,486	400,486	15,000
Project Expenditure	20,877,645	18,139,984	49,268,413	38,380,060	19,050,075
BAHS	23,971,320	20,720,261	51,877,209	41,290,208	21,495,141

215	8000	CDBG PROGRAMS/PROJECTS	37,459	33,228	386,065	308,842	166,440
216	8001	CDBG REHAB. RLF	140,000	17,592	77,677	74,307	121,567
234	8250	MOBILE HOME PARK RENT	52,047	61,539	89,661	339,661	5,202
235	8425	SENIOR HOUSING	944,619	-	14,300	-	20,180
236	8425	HOUSING MITIGATION	-	20,500	1,033,497	15,000	1,015,000
317	7000	BAHS ADMINISTRATION	15,887,411	1,776,296	1,598,923	1,420,287	1,545,675
317	8010	BAHS ECONOMIC DEVELOPMENT	-	898,556	8,229,928	5,733,722	3,125,435
317	8055	BAHS CIP	-	15,341,661	31,008,391	26,376,675	9,671,453
327	7100	RDA-HOUSING	6,909,785	2,570,889	9,438,767	7,021,714	5,824,189
DEPARTMENT TOTAL			23,971,320	20,720,261	51,877,209	41,290,208	21,495,141

¹ FY03/04 Adopted Budget: \$33,224,132



[215-8000] Community Development Block Grant

ACTIVITY DESCRIPTION

Community Development Block Grants (CDBG) are the primary funding source to outside public service agencies which serve principally low and moderate income persons. CDBG funds can also be used to fund non-public service activities such as City improvements or improvements to public or non-profit facilities. The City's CDBG programs are supplemented with Redevelopment Housing 20% Set-Aside Funds, Senior Housing Trust Fund, and the Housing Mitigation Fund.

FY 2003/04 HIGHLIGHTS

- Thirteen service grants were awarded and monitored.
- Two Area Benefit Activities (Galvan Park Upgrades, Day Worker Facility) were funded.

FY 2004/05 ACTIVITY GOALS

- Award and monitor 13 service grants.
- Fund one Area Benefit Activity.

FINANCIAL COMMENTS

The following chart lists this fiscal year's grant awards and all funding sources:

GRANT	CDBG	RDA 20% Set Aside	Senior Trust Fund	Housing Mitigation Fund
Galvan Park Improvements	\$ 50,000			
El Toro/Friendly Inn Renovations	63,724			
TOTAL: Non-public service agencies (capital improvements)	113,724			
Day Break Respite Program (Catholic Charities)			8,600	
Long Term Care Ombudsman Program (Catholic Charities)			2,415	
Shared Housing Program @ Depot Commons (Catholic Charities)		15,000		
Second Harvest Food Bank			3,465	
Community Solutions – La Isla Pacifica Shelter		16,000		
Emergency Housing Consortium – Shelter Services				15,000
Live Oak Adult Care Services	3,990			
Community Solutions – El Toro Youth Center/Friday Night Jams	15,500			
Project Sentinel – Tenant/Landlord Dispute Resolutions		25,000		
South Valley Day Worker Service Center (St. Catherine's Parish)	5,000			
Youth Scholarships (City of Morgan Hill, Recreation)	7,346			
Youth Outreach (The Lighthouse)	5,880			
TOTAL: public service agencies	37,716	56,000	14,480	15,000
Program Administration (City of Morgan Hill, BAHS)	15,000			
TOTAL FY04-05 CDBG	\$ 166,440			

[234-8250] Mobile Home Rent Commission

ACTIVITY DESCRIPTION

The Mobile Home Rent Commission is responsible for: 1) monitoring the Mobile Home Park Rent ordinance; 2) recommending modifications, amendments or regulations to same; and, 3) conducting hearings and making determinations regarding petitions submitted by park owners and tenants.

This account is funded through a fee mandated by the Mobile Home Park Rent Ordinance (Chapter 5.36 of the City of Morgan Hill Municipal Code). Each park owner is assessed this fee annually based upon the number of spaces within the park which fall under the ordinance. (Spaces not covered would include vacant spaces; spaces occupied by coaches owned by the park owner or by mobile home dealers who are not residents; and, spaces where home owners have negotiated long-term leases with the park owner.) Owners may pass on up to half of the cost of each space fee to the tenant occupying the space for which the fee is paid.

FY 2003/04 HIGHLIGHTS

- Mobile Home Rent Commission recommended and helped to formulate a Mobile Home Park Conversion Ordinance
- Mobile Home Rent Commission continued to monitor the potential for litigation by the owner of the Hacienda Valley Mobile Estates

FY 2004/05 ACTIVITY GOALS

- Continue to administer the City's mobile home rent ordinance, and respond to any challenge to the ordinance

FINANCIAL COMMENTS

There have been no significant changes made. The budget includes funds for the use of outside legal counsel as needed.

[235-8435] Senior Housing Trust Fund

ACTIVITY DESCRIPTION

This fund began with a one-time contribution from a developer for a housing in-lieu fee payment. The purpose of the fund is to assist eligible elderly persons in the City of Morgan Hill and in the City's sphere of influence in meeting their housing-related needs.

FY 2003/2004 Highlights

- One service grant was awarded and monitored

FY 2004/2005 Activity Goals

- Award and monitor three support-service grants for seniors

[236-7100] Housing Programs

ACTIVITY DESCRIPTION

Use of Housing Mitigation Funds will be determined by the recommendations adopted for the Housing Strategy.

Funds for this account are paid by developers who compete in the City's Residential Development Control System (Measure P). These developers are awarded competitive points for constructing Below Market Rate (BMR) housing units and/or paying the in-lieu fee.

FY 2003/04 HIGHLIGHTS

- Provided funding for EHC to offer shelter and services

FY 2004/05 ACTIVITY GOALS

- Provide funding for shelter and services
- Develop programs/projects based on the Affordable Housing Strategy

[317-7000] BAHS Administration

Marketing/Promotional Efforts:

- Participated in annual local business-to-business trade show
- Participated in ICSC Deal-Making trade shows in Las Vegas, San Francisco and Monterey
- Attended the BIO 2004 conference in San Francisco

FY 2004/05 WORKPLAN

- Walnut Grove PUD
- Downtown RFP
- Police Facility/Brewpub Exclusive Right to Negotiate Agreement
- Parking Management Plan
- El Toro Youth Center/Friendly Inn Master Plan

FY 2004/05 ACTIVITY GOALS

Community Facilities:

- Assist in the design and development of the Indoor Recreation Center and other community facilities
- Assist in the development of the new Library
- Prepare masterplan for the El Toro Youth Center/Friendly Inn

Business Assistance Programs:

- Continue to promote and administer the existing programs, such as Façade Improvement Program, Small Business Fee Deferral Program, and the large fee loan programs.

Business Attraction/Expansion/Retention:

- Monitor development of Morgan Hill courthouse
- Continue to work with developer/property owners to develop "key" commercial /retail sites
- Negotiate a Disposition and Development Agreement (DDA) with El Toro Brewing to develop brew pub in former Police Department building
- Complete Downtown Request For Proposals (RFP) process

Planning/Administration:

- Implement Downtown workplan
- Complete Walnut Grove Planned Unit Development (PUD)
- Continue to participate with the Morgan Hill Community Foundation in forming an art alliance

Local and Regional Economic Development Partnerships:

- Continue to work actively with the Chamber's EDP to promote economic development, including our participation on the Business Attraction, Retention and Tourism Committees
- Continue to work with the Morgan Hill Downtown Association
- Continue to work with regional and State agencies (e.g. Joint Venture Silicon Valley and the State of California Economic Development Division) to promote economic development
- Continue to work with the local sister city committee

[317-7000] BAHS Administration

Acct	Description	01/02 Actuals	02/03 Actuals	03/04 Current Budget	03/04 Estimated Actual	04/05 Adopted Budget
41100	SALARIES-GENERAL	372,358	454,435	601,854	481,570	637,505
41270	SALARIES-PART-TIME	16,737	36,339	2,618	36,670	3,000
41280	SALARIES-P.T.-REIMB	168	21	-	-	-
41320	SALARIES-OTHER PAYOUT	10,177	6,223	9,000	8,760	8,700
41490	OVERTIME-GENERAL	76	101	500	20	300
41560	UNEMP. INS	26	28	972	290	1,962
41620	RETIREMENT-GENERAL	6,622	9,073	23,874	18,040	62,860
41690	DEFERRED COMPENSATION	11,351	16,690	19,888	20,630	20,804
41700	GROUP INSURANCE	28,866	37,314	48,383	38,280	58,797
41701	MEDICARE	5,454	8,181	8,727	8,400	9,244
41730	INCOME PROTECTION INS	4,351	6,823	6,785	7,730	7,057
41760	WORKERS COMP	8,740	11,465	18,450	18,970	26,608
41799	BENEFITS	4,016	4,644	-	4,750	-
41900	CONTRACT LABOR	6,928	-	2,000	370	2,000
41000s	<<EMPLOYEE SERVICES>>	475,871	591,338	743,051	644,480	838,837
42214	TELEPHONE	4,311	6,061	5,900	5,900	7,068
42228	GASOLINE & OIL	280	542	-	-	-
42229	RDA-SPECIAL COUNSEL	14,550	-	5,000	3,000	4,000
42230	SPECIAL COUNSEL	2,148	-	-	-	-
42231	CONTRACT SERVICES	73,175	23,823	131,462	66,320	46,320
42233	AUDIT FEES	4,643	5,097	2,650	2,298	2,750
42242	RENTS	107	84	-	-	147
42244	STATIONERY & OFFICE SUPPLIES	3,126	1,973	2,040	2,040	2,100
42245	COMPUTER HARDWARE-NON CAPITAL	-	-	-	-	1,700
42246	COMPUTER SOFTWARE-NON CAPITAL	-	-	-	-	500
42248	OTHER SUPPLIES	996	1,885	1,000	1,000	1,000
42250	ADVERTISING	6,505	2,258	5,000	2,500	3,000
42252	PHOTOCOPYING	384	164	981	900	981
42254	POSTAGE & FREIGHT	1,075	1,676	1,700	1,651	1,700
42257	PRINTING	18,927	3,571	1,000	1,000	1,000
42261	AUTO MILEAGE	274	424	2,100	600	2,100
42265	AUTO ALLOWANCE	(76)	-	-	-	-
42293	COUNTY ADMINISTRATIVE FEE	-	-	130,000	130,000	140,000
42297	PRIOR YEAR EXPENSE	-	54,877	-	-	-
42299	OTHER EXPENSE	136,892	309	2,200	2,000	2,000
42407	EDUCATIONAL REV.ALL	-	581,354	-	-	-
42408	TRAINING & EDUCATION	1,808	58	2,800	2,800	2,800
42415	CONFERENCE & MEETINGS	5,259	7,243	8,463	8,463	8,460
42423	MEMBERSHIP & DUES	7,919	9,327	9,875	10,249	10,815
42435	SUBSCRIPTION & PUB.	1,262	1,211	470	1,219	1,084
42531	MAINT - FURNITURE/OFFICE EQUIPMENT	1,358	948	1,000	500	500
42000s	<<SUPPLIES & SERVICES>>	284,921	702,887	313,641	242,440	240,025

[317-8010] BAHS Economic Development

ACTIVITY DESCRIPTION

This activity funds the City's and Redevelopment Agency's economic development programs, projects, partner organizations, and special studies. Since these efforts are administered under Business Assistance Division – Administration, the “Accomplishments” and “Goals” for this section are contained in the Business Assistance Division - Administration pages. The following list are the highlights of the current programs, projects and special studies.

Programs

- Downtown parking lot rental and maintenance
- Property management of Redevelopment Agency owned and leased properties
- Façade Improvement Program
- Small Business Fee Deferral Program
- Implementation of the Auto Dealer Strategy
- Implementation of the Economic Development Strategy

Projects

- Business Attraction/Retention/Expansion Loans
- Morgan Hill Courthouse
- Relocation and Rehabilitation of the Morgan Hill Historical Museum and the Acton Farmhouse

Partner Organizations

- Morgan Hill Chamber of Commerce
- Morgan Hill Downtown Association
- Sister City

Special Studies

- Downtown Parking Management Study
- Walnut Grove PUD

[317-8055] BAHS CIP

ACTIVITY DESCRIPTION

The Business Assistance-Capital Improvement Program (CIP) provides Redevelopment Agency funding for CIP projects. FY 2004/05 projects by category consist of:

Parks

- Regional Soccer Complex
- Sports Field Complex

Public Facilities

- Library
- Indoor Recreation Center

Storm Drain

- West Little Llagas Flood Control

Streets and Roads

- Tennant Avenue Widening
- Pavement Rehabilitation Program

FINANCIAL COMMENTS

More detailed project costs can be found in the Capital Improvement Program section.

[327-7100] BAHS Housing

ACTIVITY DESCRIPTION

The Housing Division creates and preserves affordable housing in the community. Redevelopment 20% Housing Set-aside money (i.e., property tax increment) is the primary funding source for these activities. Under California Redevelopment Law, redevelopment agencies are required to set aside 20% of their tax increment for affordable housing activities. Our affordable housing efforts focus on the following:

- Rehabilitation of single-family and multi-family housing
- Administration of the Minor Home Repair Grant programs for seniors and mobile home owners
- Monitoring existing housing loans and agreements
- Administration of the City's Below Market Rate Housing Program (BMR) which includes monitoring approximately 395 BMR rentals and ownership units for compliance. Ten new homes were added to the homeownership program; no homes were lost to the expiration of resale restrictions
- Assist the City Clerk with the Mobile Home Rent Commission
- Conduct a bi-annual rental vacancy survey
- Manage the City's participation in the Urban County Community Development Block Grant (CDBG) program
- Development of new affordable housing programs and projects per the Affordable Housing Strategy

FY 2003/04 HIGHLIGHTS

New Construction and Major Housing Projects

- Approved a Disposition and Development Agreement, and Loan Agreement for the sale of Agency-owned land on Watsonville Road for the development of a 10-unit, single family affordable homeownership project targeting teachers working for the Morgan Hill Unified School District and Morgan Hill Charter School.
- Property for Royal Court was purchased in FY 03-04. Preliminary Site plan was approved and zoning amended; Phase I – consists of 16 ownership townhouses which will begin construction in FY 04-05
- Applied for and received \$900,000 from the California Housing Finance Agency (CalFHA) through Housing Enabled by Local Partnerships (HELP) Funds for use on housing projects.

Housing Rehabilitation Programs

- Approved over 75 grants for the Minor Senior Housing and Mobile Home Repair Programs
- Approved over 4 Housing Rehab Loans
- Approved 15 Housing Paint Program Grants

[327-7100] BAHS Housing

Administration

- Administered and monitored thirteen housing and public service grants totaling \$251,920 funded by Community Development Block Grant, the 20% Redevelopment Agency Housing Set-Aside, the Senior Trust Fund, and the Housing Mitigation Fund. This funding was provided for ombudsman services in long-term care facilities for seniors; meals for seniors; youth outreach; specialized care and recreation services for dependent seniors; El Toro Youth Center; employer-related services for low income individuals; case management for shared housing facility; domestic violence shelter; and housing shelter and services.
- Developed an Affordable Housing Strategy to assess the City's housing needs and obligations and review the Agency's programs and financial resources.
- Developed workplan to implement the Affordable Housing Strategy.

Below Market Rate (BMR)

- Facilitated the sales of 24 new and 5 resale BMR homes
- Processed over 70 requests from BMR home owners wanting to refinance their units
- Processed over 123 applications for eligible program participants. Ten were housed in BMR rental units
- Conducted 3 BMR information seminars
- Continued to accept names for the Median and Moderate Income lists, resulting in the addition of 53 applicants
- Participated in the Measure P competition and was responsible for the scoring of the Housing Needs and the Housing Types category

FY 2004/05 WORKPLAN

- Self-help Housing – Acquire site for self-help project, begin/complete project
- Murphy Ranch – Begin construction of Phase II (38 units)
- Watsonville Road Project – Begin construction, complete project, and establish teacher housing eligibility list
- Royal Court Project – Complete relocations, begin Phase I Townhomes, apply and receive housing allocation for apartments
- Downpayment Assistance Program – Establish program procedures/guidelines, accept applications, and approve loans

FY 2004/05 ACTIVITY GOALS

Housing Rehabilitation Programs

- Provide rehabilitation loans for 6 single-family units
- Process 60 Senior and Mobile Home Repair Grants
- Provide rehabilitation loans for at least 3 rental housing units
- Process 10 Housing Paint Program Grants

[327-7100] BAHS Housing

Administration

- Administer and monitor 13 housing and/or public service grants totaling \$166,440 funded by Community Development Block Grant, Senior Housing Trust Fund, Housing Mitigation Fund, and 20% Housing Set Aside funds

BMR Program

- Facilitate the resale or sale of at least 20 BMR units

New Programs/Projects

- Implement the Housing Strategy Plan to develop affordable housing programs/project proposals
- Acquire site for self-help project to be developed by a non-profit organization
- Select developer for Transit Oriented Development (TOD) in the downtown area

<u>PERFORMANCE MEASURES</u>	<u>FY 02/03</u>	<u>FY 03/04</u>	<u>FY 04/05</u>
	<u>ACTUAL</u>	<u>PROJ.</u>	<u>GOAL</u>
• Number of Refinance application requests	110	96	100
• Number of BMR Rental and Homeownership applications requests	358	164	110
• Number of refinancing requests approved	291	38	80
• Number of BMR Rental and Homeownership applications approved	N/A	115	110
• Number of BMR Rentals and BMR units sold	22	30	20
• Number of Refinance, BMR Rental and Homeownership applications received per F.T.E. staffing for the program	250/FTE	206.5/FTE	200/FTE
• Amount of Agency funds contributed per new rental unit			<\$45,000
• Leverage ratio of Agency funds to other funds for rental projects			1:6
• Amount of Agency funds contributed per new ownership unit			<\$75,000
• Leverage ratio of Agency funds to other funds for ownership projects			1:5

[327-7100] BAHS Housing

Acct	Description	01/02 Actuals	02/03 Actuals	03/04 Current Budget	03/04 Estimated Actual	04/05 Adopted Budget
41100	SALARIES-GENERAL	395,664	390,205	465,631	421,219	491,205
41270	SALARIES-PART-TIME	2,857	25,911	23,565	20,200	23,565
41280	SALARIES-P.T.-REIMB	337	42	-	-	-
41320	SALARIES-OTHER PAYOUT	8,189	5,062	8,055	8,055	8,582
41490	OVERTIME-GENERAL	77	107	500	100	300
41560	UNEMP. INS	35	35	1,051	455	2,065
41620	RETIREMENT-GENERAL	18,094	21,643	37,487	33,059	68,523
41690	DEFERRED COMPENSATION	5,187	6,761	7,228	9,072	7,922
41700	GROUP INSURANCE	27,412	32,941	47,522	44,550	59,816
41701	MEDICARE	5,824	6,128	6,752	6,861	7,122
41730	INCOME PROTECTION INS	4,893	5,767	5,620	6,513	5,854
41760	WORKERS COMP	9,100	9,743	14,060	14,037	21,969
41799	BENEFITS	3,046	3,072	-	3,120	-
41800	UNIFORM	-	-	-	157	150
41900	CONTRACT LABOR	2,477	-	2,000	-	2,000
41000s	<<EMPLOYEE SERVICES>>	483,190	507,416	619,471	567,398	699,073
42214	TELEPHONE	5,923	7,586	9,000	9,360	8,764
42228	GASOLINE & OIL	267	283	500	500	500
42230	SPECIAL COUNSEL	12,544	-	5,000	1,000	5,000
42231	CONTRACT SERVICES	82,552	50,168	37,939	5,600	5,600
42233	AUDIT FEES	-	-	2,600	2,600	2,750
42240	RENTALS - OUTSIDE	-	-	100	100	100
42242	RENTS	171	330	-	330	245
42244	STATIONERY & OFFICE SUPPLIES	2,619	1,582	1,800	1,800	2,000
42245	COMPUTER HARDWARE-NON CAPITAL	-	-	-	-	7,500
42246	COMPUTER SOFTWARE-NON CAPITAL	-	-	-	-	1,000
42248	OTHER SUPPLIES	973	1,284	1,000	1,000	1,000
42250	ADVERTISING	854	152	2,000	1,000	1,000
42252	PHOTOCOPYING	202	95	620	620	1,190
42254	POSTAGE & FREIGHT	2,244	2,661	2,600	2,800	3,000
42257	PRINTING	1,641	480	4,730	4,000	4,000
42261	AUTO MILEAGE	56	67	300	300	300
42265	AUTO ALLOWANCE	(58)	-	-	-	-
42281	SMALL TOOLS	446	171	300	300	300
42299	OTHER EXPENSE	145	102	800	800	300
42408	TRAINING & EDUCATION	1,652	235	3,530	2,000	3,650
42415	CONFERENCE & MEETINGS	3,610	1,265	2,810	1,775	3,500
42423	MEMBERSHIP & DUES	3,520	3,920	4,610	4,610	4,315
42435	SUBSCRIPTION & PUB.	532	298	1,000	1,000	1,031
42523	MAINT - MACHINE/EQUIPMENT	-	6	500	500	500
42526	MAINT - AUTO/TRUCKS	127	4,076	900	500	900
42531	MAINT - FURNITURE/OFFICE EQUIPMENT	1,209	1,141	1,000	500	500
42550	FLEET REPLACEMENT	2,531	2,500	-	-	-
42000s	<<SUPPLIES & SERVICES>>	123,760	78,403	83,639	42,995	58,945

[327-7100] BAHS Housing

Acct	Description	01/02 Actuals	02/03 Actuals	03/04 Current Budget	03/04 Estimated Actual	04/05 Adopted Budget
43835	FURNITURE/OFFICE EQUIPMENT	2,671	-	1,260	1,260	1,260
43840	COMPUTER EQUIPMENT	1,583	564	500	500	-
43845	COMPUTER SOFTWARE	762	869	1,000	-	-
43000s	<<CAPITAL OUTLAY>>	5,016	1,433	2,760	1,760	1,260
44994	LEASE PAYMENTS	321	305	-	-	-
44000s	<<DEBT SERVICE>>	321	305	-	-	-
45000	GF ADMIN	82,884	98,729	106,817	106,817	95,426
45003	GENERAL LIABILITY INS	-	6,088	5,061	5,061	3,642
45004	BLDG MAINT SERVICES	10,607	12,760	16,986	16,986	10,139
45006	FLEET REPLACEMENT	-	-	-	-	4,586
45009	I.S. SERVICES	9,038	13,440	8,697	8,697	6,118
45000s	<<INTERNAL SERVICES>>	102,528	131,018	137,561	137,561	119,911
49201	TRANSFER OUT-202 (STREET MAINTENANCI	-	-	-	25,000	-
49235	TRANSFER OUT-206 (COM DEV)	46,855	-	-	-	-
49285	TRANSFER OUT-234 (MOBILE HOME PK)	60,000	-	50,000	350,000	-
49000s	<<TRANSFERS>>	106,855	-	50,000	375,000	-
82229	RDA-SPECIAL COUNSEL	-	-	35,000	25,000	25,000
82230	SPECIAL COUNSEL	-	18,547	-	-	-
82231	CONTRACT SERVICES	-	72,098	80,200	25,000	35,000
82299	OTHER EXPENSE	-	95	-	-	-
86100	ACQUISITION EXPENSE	-	-	400,000	400,000	400,000
86280	PROPERTY MANAGEMENT	1,099	2,700	3,000	3,000	5,000
86400	PROCESSING & SERVICING	5,577	3,571	100,813	74,000	94,000
86420	LOAN AMOUNT	381,817	215,644	400,000	300,000	375,000
86440	GRANT AMOUNT	548,636	450,715	588,214	400,000	375,000
86440	GRANT AMOUNT	-	-	-	-	25,000
86440	GRANT AMOUNT	-	-	-	-	15,000
86440	GRANT AMOUNT	-	-	-	-	16,000
86441	NEW HOUSING PROGRAMS	5,143,886	1,088,890	6,938,110	4,670,000	3,580,000
86442	LAND BANKING	7,100	-	-	-	-
86443	INFILL BMR HOUSING	-	56	-	-	-
86000s	<<PROJECT EXPENDITURES>>	6,088,115	1,852,315	8,545,336	5,897,000	4,945,000
	RDA-HOUSING	6,909,785	2,570,889	9,438,767	7,021,714	5,824,189





[010-3510] Fire Services

ACTIVITY DESCRIPTION

This activity funds the City's contract with the Santa Clara County Fire Department (SCCFD) which provides fire suppression and emergency medical services to the Morgan Hill community.

FY 2003/04 HIGHLIGHTS

- Negotiated a contract extension with SCCFD to provide fire suppression and emergency medical services through September 2007.
- For July 2003 through April 2004, County Fire maintained an average response time of less than 5 minutes for all Code 3 and Advanced Life Support calls.
- Provided guaranteed paramedic-level emergency medical service in Morgan Hill
- Provided six First Aid and CPR classes to City employees

FY 2004/05 WORKPLAN

- Develop strategy for subregional fire protection

FY 2004/05 ACTIVITY GOALS

- Maintain response times of less than 8 minutes 90% of the time or better
- Continue to offer First Aid, CPR, and other training to City employees on an as-needed basis

FINANCIAL COMMENTS

The primary component of this activity is the City's contract with the SCCFD. The contract extension includes a 12% increase in contract costs to \$4,194,374 for FY 2004/05. In addition, the contract extension includes a new formula for making annual cost adjustments to the contract, no changes in fire station staffing, and minor changes to inspection services.

Fire Impact Fees are generated to compensate for the impact new development has on the City's fire services. These fees fund projects that offset the effect of this new development. For FY 2004/05, no Fire Impact Fee allocations are recommended. However, the Fire Suppression and Emergency Medical Service Master Plan indicates that an additional fire station should be located in the center of the City that will require the expenditure of fire impact fee funds in a future year.

[240-2610] Employee Assistance Program

ACTIVITY DESCRIPTION

This fund, established in FY 2002/03, supports various employee financial assistance programs. The FY 2003/04 budget includes funding for the employee computer loan program begun in 2002/03. Through this program, an employee may borrow up to \$2,000 to purchase a computer system for home use. The employee repays the City's with payroll deductions over 24 months. Staff projects approximately 30 loans will be made each year.

ACTIVITY GOALS

- Make technology use affordable for all employees
- Encourage the use of technology outside of the workplace
- Increase the understanding and potential of technology
- Improve skills in the workplace by encouraging use at home

FINANCIAL COMMENT

Total funding in FY 2002/03 was \$40,000. The funds were available to employees on a revolving basis. Future loans will be made from the repayments of previous loans.

<u>PERFORMANCE MEASURES</u>	<u>FY 02/03</u> <u>ACTUAL</u>	<u>FY 03/04</u> <u>PROJ.</u>	<u>FY 04/05</u> <u>GOAL</u>
• Number of computer loans	n/a	34	40

[730-2520] Information Systems

ACTIVITY DESCRIPTION

This activity manages information technology planning and technical support for global City operations. Equipment supported includes approximately 160 personal computers and laptops, 11 servers, and associated peripheral equipment required to sustain our local and wide area networks, electronic mail, remote access to City computers, Internet access, and the City web site.

The City's Information Technology Management Group, which has representatives from all City sites, works with a contracted firm to ensure the reliability of the City's data processing systems and to plan for future City information technology needs.

FY 2003/04 HIGHLIGHTS

- Negotiated rate reduction from existing maintenance vendor to reduce costs
- Installed wireless networking system between City buildings to provide redundancy that will allow crucial City systems to remain operational if one of the City's fiber optic cables gets severed

FY 2004/05 WORKPLAN

- There is no workplan for the City's Information Services activity, as current budget constraints prohibit major investments in information systems.

FY 2004/05 ACTIVITY GOALS

- Establish new contract for computer maintenance services.

FINANCIAL COMMENTS

The Information Services budget is an Internal Service Fund. Operating budget charges are based on the number of computer users in that department. The proposed budget incorporates 20% of a management staffperson's time in order to account for the significant time expenditure associated with this activity.

[770-8220] Workers' Compensation

ACTIVITY DESCRIPTION

The Human Resources Office has primary responsibility for the City's workers compensation program. The City is self-insured for this employee benefit. Each department pays a portion of the program's cost based on gross wages and level of risk for the various job classifications within the department. The City is responsible for the first \$250,000 of each claim and has an excess insurance policy from that level up to \$5,000,000. The City belongs to an excess insurance joint powers authority called Local Agency Workers Compensation Excess Insurance (LAWCX) for the purpose of pooling for excess insurance. A third party administrator, Athens Administrators, handles day-to-day workers compensation claim administration.

FY 2003/04 HIGHLIGHTS

- Held regular City Safety Committee meetings and continued regular safety training
- Provided training to supervisors regarding processing claims, working with our TPA Athens Administrators and the HR Department
- Closed five complex claims which were several years old

FY 2004/05 ACTIVITY GOALS

- Continue to provide City employees with safe work practice information, with the goal of reducing work place injuries
- Maintain an assertive position in monitoring the activities of the third party administrator to close cases as soon as is appropriate

FINANCIAL COMMENTS

Insurance premiums for our excess insurance continue to skyrocket, causing a budget increase. In addition, workers' compensation weekly temporary disability payments increased from \$602 for 2003 to \$728 for 2004 and will increase to \$840 on 1-1-05.

<u>PERFORMANCE MEASURES</u>	<u>FY 02/03</u>	<u>FY 03/04</u>	<u>FY 04/05</u>
	<u>ACTUAL</u>	<u>PROJ.</u>	<u>GOAL</u>
• Number of workers' compensation claims involving temporary disability benefits	9	11	8
• Number of lost work days caused by temporary disability	739	720	675
• Average length of time (days) to bring an injured employee off temporary disability	74	80	70

[790-8500] Equipment Replacement

ACTIVITY DESCRIPTION

The Equipment Replacement Fund provides a mechanism for the City to budget and fund future replacement of vehicles. Each department that uses City vehicles is charged an annual fee based on future replacement costs and the useful life for each vehicle.

FY 2003/04 HIGHLIGHTS

- This program continues to provide a basis for the City to plan for and achieve incremental costs related to vehicle replacement so as to smooth fluctuations in the City budget in any given fiscal year.
- The Fleet Management Committee was formed and met regularly to coordinate purchasing and surplus of vehicles.
- The Fleet Management Committee developed a Collision Reporting Policy.

FY 2004/05 ACTIVITY GOALS

- The Finance Department will continue to provide a budgetary planning tool for departments including calculation of salvage values, serviceable life spans, accounting replacement contribution, and interest distribution. These tracking tools will be updated periodically.
- The Fleet Management Committee will work to increase coordination between departments in managing their equipment and vehicles.

FINANCIAL COMMENTS

For 2004/05, the City will defer most vehicle purchases because of the financial constraints currently facing the City. In addition, because staff has identified excess available reserves available in this fund, some departments will receive reductions in replacement charges for 2004/05. These reductions in charges will not affect the City's ability to replace vehicles as needed. Pre-funding of vehicle replacement provides for a measure of budget predictability, insures timely replacement which enhances safety and efficiency, and reduces the need for deficit spending based on a large capital outlay in any given fiscal year. For FY 2004/05 the following equipment are proposed to be replaced:

<u>Equipment to be Replaced</u>	<u>Estimated Replacement Cost</u>
Five (5) Police Patrol Vehicles	\$150,517
One (1) UNET vehicle	\$35,150

[795-8210] General Liability

ACTIVITY DESCRIPTION

The City purchases liability/property insurance through the Association of Bay Area Governments (ABAG) which offers the ABAG Plan. The City is a member of the ABAG PLAN Corporation for coverage of the liability risks associated with City operations, including the Redevelopment Agency Risk Pool. This provides a pool of liability/property coverage distributed among member municipalities. The liability program offers broad-form coverage, contractual liability, and personal injury. Under this program, the City is self-insured for the first \$100,000 of any liability claim and is covered up to \$10,000,000. Responsibility for claims adjustment is provided by the ABAG Plan.

The property program offers a single, all-risk policy covering buildings and contents, boilers and machinery, data processing, vehicles and other coverages. The program carries a \$5,000 deductible, except that there is a \$10,000 deductible for vehicle losses. ABAG support services include risk management, diligent claims administration, actuarial studies, loss control training, financial and other administrative services, and comprehensive legal defense.

FY 2004/05 ACTIVITY GOALS

- City operations will continue to emphasize safety issues and best business practices to minimize situations that require insurance claims.

FINANCIAL COMMENTS

The City is able to manage its risk through a shared pool of liability coverage with other similar legal entities through the ABAG Plan. This enhances efficiency as ABAG is very familiar with the types of issues that confront local government and the appropriate response to these situations.

PERFORMANCE MEASURES

	<u>FY 02/03</u> <u>ACTUAL</u>	<u>FY 03/04</u> <u>PROJ.</u>	<u>FY 04/05</u> <u>GOAL</u>
<ul style="list-style-type: none"> • Percent of claims responded to within the statutory time frame of 45 days, either through a rejection of the claim or through a proposed resolution 	78%	100%	100%

Supplemental Information

Analysis of Recreation Revenues, Costs and
Impact to the General Fund

Current and Future Grants

Discretionary Reserves

Final Allocation for Redevelopment Amendment
Allocation

Financial System Upgrade

General Fund Cashflow Analysis

General Fund Expenditure Reduction Ideas Not
Incorporated In Budget

Inhibitors to Economic Development

Relationship With Other Agencies

Revenue Sources

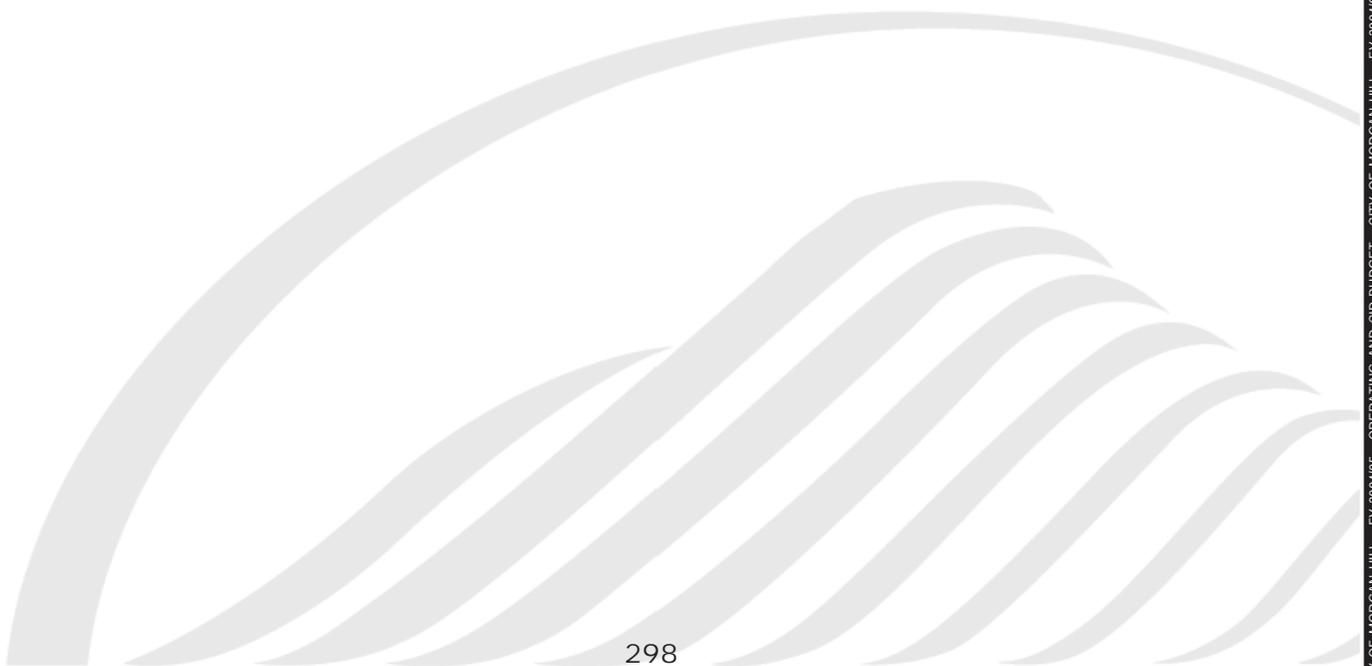


Discretionary Reserves

The schedule below summarizes all discretionary funds projected to be available at June 30, 2005. While a large portion of these funds has been placed into separate funds for designated purposes, these monies are available as discretionary funds.

• General Fund (including \$4.3 million in designations):	8,136,787
• Public Safety Trust Fund	250,994
• Community Centers Fund	151,116
• Employee Assistance	83,790 ⁽¹⁾
• Park Maintenance Fund	3,114,003
• Information Systems Internal Services Fund	268,240 ⁽¹⁾
• Building Maintenance Internal Services Fund	1,101,733 ⁽¹⁾
• Unemployment Insurance Internal Services Fund	52,214 ⁽¹⁾
• Workers' Compensation Internal Services Fund	109,926 ⁽¹⁾
• Equipment Replacement Fund	3,236,612 ⁽¹⁾
• General Liability Insurance Fund	890,021 ⁽¹⁾
TOTAL PROJECTED CITY DISCRETIONARY DOLLARS @ 6/30/04:	17,395,436

⁽¹⁾ Amount in these funds could only be partially transferred to General Fund since these funds have accumulated contributions from various funds, including the General Fund. Remaining balances would need to be credited back to the other contributor funds.



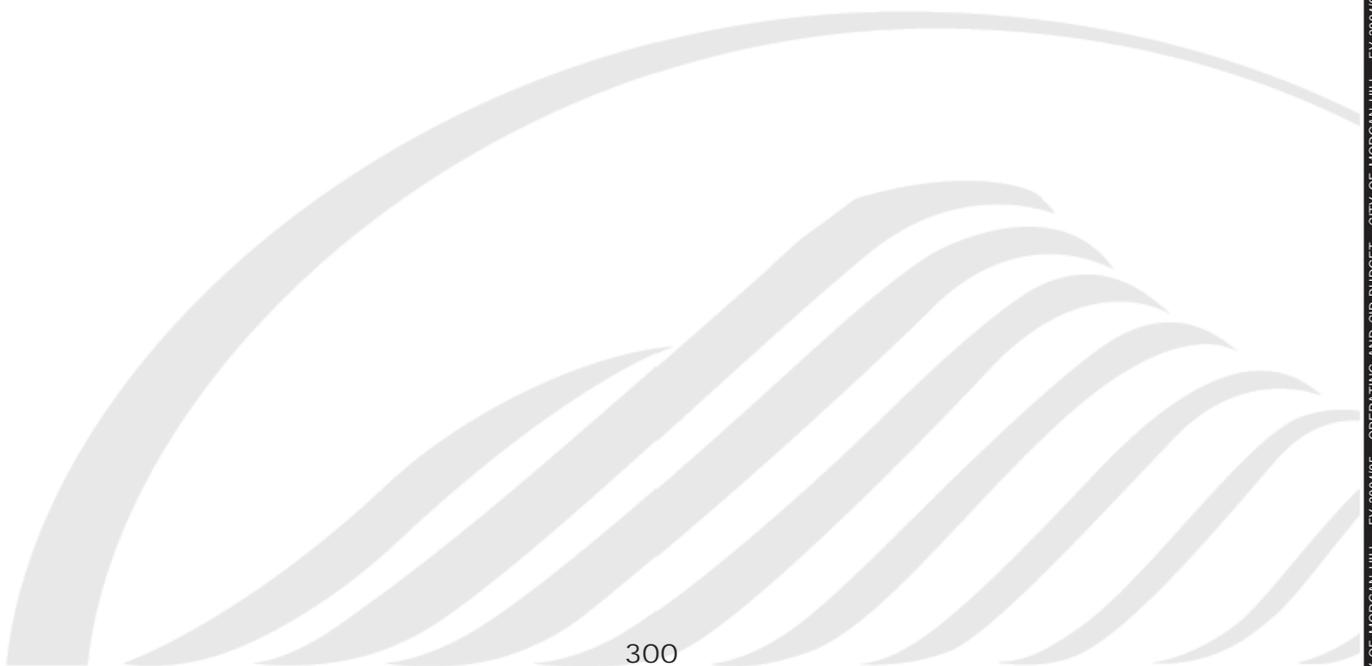
Final Allocations for Redevelopment Amendment Projects

Project Description	Agency October 2003 Allocations For Projects	Amount Committed or Expended thru June 2005	Available for Remaining Years
PUBLIC FACILITIES			
Community Center	7,900,000	7,900,000	-
Community Playhouse	3,000,000	3,000,000	-
Library	5,500,000	2,055,000	3,445,000
Aquatics Center	12,350,000	12,350,000	-
Indoor Recreation Center	26,200,000	10,920,000	15,280,000
Sports Complex	7,650,000	7,650,000	-
Regional Soccer Complex	1,000,000	21,000	979,000
TOTAL ALLOCATION	63,600,000	43,896,000	19,704,000
FLOOD CONTROL/STORM DRAIN	7,100,000	352,000	6,748,000
STREET IMPROVEMENTS	15,000,000	14,904,000	96,000
ECONOMIC DEVELOPMENT	15,000,000	12,494,000	2,506,000
DOWNTOWN RFC	3,000,000	1,000,000	2,000,000
HOUSING	32,000,000	25,084,000	6,916,000
ADMINISTRATION	11,300,000	6,321,000	4,979,000
UNALLOCATED*	-	-	-
TOTAL PLAN AMENDMENT ALLOCATION	\$147,000,000	104,051,000	42,949,000

NOTES:

The Total Plan Amendment Allocation does not include a \$5.7M carryover from the "old" plan amendment which would be applied toward the public facilities category. The fiscal cap for the new plan amendment is \$147M. These allocations were revised in October 2003 by the City Council/Agency. Admin and Housing estimates assume RDA plan reaches its fiscal cap in FY07-08. The Agency specifically identified allocated amounts for the community facilities category. For the other categories, no amounts are specifically identified per project, but rather only the total for the category. As a result, the "available remaining funds column" shows the total remaining from the allocation. The amounts committed or expended represent amounts incurred since FY00-01. This column also includes the budgeted amounts for FY04-05. For the Downtown RFC we assumed expenditure of \$1M in ED funds for the RFP. For CIP projects in design, we assumed that design services could be canceled and funds made available for other projects. The expenses only reflect RDA funds and do not necessarily represent total project costs. A new category was added for the downtown RFC which reallocated \$1M from Street Improvements, ED, and Housing.

*The "unallocated" category shows a \$0 amount because the pass-thrus to other agencies are much higher than anticipated which requires a larger contribution to the low/mod fund. Thus, the \$1M in this category was reallocated to the low/mod category to comply with redevelopment law requirements.



Financial System Upgrade

The City of Morgan Hill has completed an extensive analysis and review of its current financial system. The system is problematic, outdated and has limited technical support. Reporting is extremely limited. Staff spends many hours manually creating reports for council, outside agencies and state and federal taxing authorities. The need to upgrade is apparent.

In February 2003 the City requested proposals for a new financial system. We received six responses. A committee of staff from various departments was formed to evaluate, interview and participate in live demonstrations. The committee unanimously selected Eden Systems software. The committee considers Eden a cost effective decision that will provide additional functionality and reduce duplicative work efforts.

Eden Systems is a state of the art governmental financial software package. It is widely used California with over 60 client sites. Eden users have a higher propensity to recommend the software than other vendors. It is user friendly, has endless reporting capabilities and strong search/retrieve capabilities.

The total cost to convert to Eden Systems is approximately \$340,000. Including annual maintenance costs, acquiring Eden would cost the City \$97,000 annually for the next five years, or \$67,000 annually over the next ten years. The committee believes the system will take us into the future and meet our growing needs.

Staff has identified numerous enhancements with Eden that will provide increased functionality and save staff time. Analysis shows that the City will receive approximately \$99,099 in increased productivity and cost savings each year. Add to that the \$20,000 savings from eliminating the current system annual support and the decision to purchase Eden becomes more cost effective.

The budget for fiscal year 2004/05 includes \$287,025 for the purchase of Eden Systems. It is anticipated that the hardware, database and business license module will be purchased in fiscal year 2003/04 at a cost of \$51,550. Costs have been divided among user funds including the general fund, redevelopment agency fund, water and sewer operating funds, CIP administration fund and reserves previously set aside for this purchase in the information systems fund.

Eden Implementation Costs

PROJECT COST	FY 03/04	FY 04/05	Total
Hardware	10,000	2,500	12,500
System Database	7,150	-	7,150
Core Financials	-	52,750	52,750
Business License	32,600	-	32,600
Payroll	-	60,300	60,300
Position Budgeting	-	7,150	7,150
Budget Preparation	-	10,500	10,500
Requisitioning	-	6,350	6,350
Accounts Receivable	-	21,200	21,200
Cash Receipting (5 stations)	-	60,125	60,125
Project Accounting	-	35,500	35,500
Other Vendor Products & Svs	1,800	30,650	32,450
TOTAL	51,550	287,025	338,575

COST DISTRIBUTION	FY 03/04	FY 04/05	Total
General Fund ¹	35,250	51,525	86,775
RDA Fund	16,300	-	16,300
Sewer Fund		12,000	12,000
Water Fund		12,000	12,000
IS Fund		200,000	200,000
CIP Administration Fund		11,500	11,500
TOTAL	51,550	287,025	338,575

¹ General Funds will be transferred to IS Fund

Financial System Upgrade (Continued)

EDEN	Total License Fees	Service Chrg Traing, Conv & Proj Mgmt	Expenses & Taxes	Total
<u>System, Database, OS Setup</u>				
System Administration	-	6,000	1,150	7,150
Database Setup (Provided By City)	-	-	-	-
Hardware/OS Setup (Provided By City)	-	-	-	-
<i>Subtotal</i>	-	6,000	1,150	7,150
<u>Financial Applications (30 Concurrent Users)</u>				
Core Financials - GL/AP/PG	18,000	30,000	4,750	52,750
Payroll	15,000	38,400	6,900	60,300
Position Budgeting	4,500	2,400	250	7,150
Budget Preparation	6,000	3,600	900	10,500
Requisitioning	2,250	3,600	500	6,350
Accounts Receivable	4,500	14,400	2,300	21,200
Cash Receipting System (5 stations)	46,125	10,800	3,200	60,125
Project Accounting	7,500	25,200	2,800	35,500
Business License	9,000	20,400	3,200	32,600
<i>Subtotal</i>	112,875	148,800	24,800	286,475
<u>Other Vendor Products & Services</u>				
Data Dictionay	750	-	-	750
CA State Package	5,000	-	-	5,000
Crystal Reports	3,000	12,000	3,300	18,300
Custom Form Programming	-	8,400	-	8,400
<i>Subtotal</i>	8,750	20,400	3,300	32,450
<u>Other Hardware & Software</u>				
Server & License	10,000	-	-	10,000
Workstation Upgrades	2,500	-	-	2,500
<i>Subtotal</i>	12,500	-	-	12,500
TOTAL ONE TIME COSTS	134,125	175,200	29,250	338,575

<u>Annual Costs</u>	
Eden Maintenance Agreement	32,960
SQL Database Support	1,000
Ongoing Training & User Group attendance	2,500
<i>Current Ongoing Costs (to support CCS)</i>	20,000

<u>Cost Analysis</u>	
1st Year of Ownership	338,575
Average cost over 5 years	96,883
Average cost over 10 years	66,672

Financial System Upgrade(Continued)

This analysis quantifies the benefits of switching to Eden into dollars. The analysis determines the hours per week of increased productivity/time saved, and multiplies it by the average hourly wage of a department, to achieve an annual dollar benefit.

Legend

✓ Increased functionality

⌚ Decreased processing time

Hours/Week

Accounts Payables		13.0
✓	More payment options – Such as EFT, credit card processing and Positive Pay	1.0
⌚	Check reconciliation from bank magnetic media	0.5
✓⌚	Multiple options for fully reversing voided checks	0.5
✓⌚	Recurring invoices and invoice templates – Payments to vendors such as PG&E, Verizon & City of Morgan Hill (water) will be simplified/automated.	1.0
⌚	Electronically stored signatures – No longer need to use signature cartridges, which on occasion messes up the printing of checks. Time is also saved by trying to get a live signature for “handwritten” checks	1.0
⌚	Automated “handwritten” checks – Eden’s system easily allows staff to produce a “handwritten” check, compared to CCS	2.0
⌚	Improved support of decentralized AP entry – Police and other departments can input their own invoices to reduce duplications and errors	2.0
✓⌚	Extensive payables history, accessible by vendor, PO, invoice or virtually any data associated with payment allows quicker retrieval of pertinent information	5.0

Accounts Receivables		5.0
✓⌚	Unlimited querying and reporting capabilities – Eden provides quick access to all receivables transactions, including any supporting attachment	1.0
✓	Unlimited number of memos in customer’s history	1.0
✓	One-time billing of miscellaneous receivables and full support of recurring receivables	1.0
⌚	Improved invoice reprinting process – CCS only allows single reprints of invoices	2.0

Purchasing		4.0
✓⌚	On-line Approvals – email-enabled routing allows for an entirely paperless requisition	2.0
✓⌚	On-line Inquiries and Reporting – Expedites information research	1.0
✓⌚	Customizable procedure flows – The process from requisition to purchase order can be customized to best fit the need of the city	1.0

Timesheets/Payroll/HR		11.0
⌚	Decentralized Timesheets – Eden allows departments to input their timesheets, thus reducing the repetition (and errors) of entering timesheet information.	3.0
⌚	Timecard entries to verify against leave balances – As individual does time entry, Eden will inform the individual if there is adequate leave balance.	1.0
⌚	Increased integration between HR and Payroll – Eden allows increased integration between the two functions, saving time on repetitive data entry	1.0
⌚	Automatic Retro Pay – At times, the current system takes up to 2 hours to process	2.0
✓⌚	Simplified End-of-Month Reporting – End of month will not require reentering employee information onto Excel to balance and send to State & Fed.	0.5
⌚	More details on timecard entries will help project management without double entries (payroll & department).	0.5
✓	Multiple Direct Deposits – Current system does not allow direct deposit to various	3.0

Financial System Upgrade(Continued)

Business License		7.0
✓ ⌚	Email-based workflow – Expedites interdepartmental approval process	1.0
✓ ⌚	Extensive history/details – Allows quicker retrieval of pertinent information	3.0
✓ ⌚	Embedded GIS and mapping functionality – Potential to conduct “500’ Radius	3.0

Accounting/General Ledger/Budgeting		6.5
✓ ⌚	Comprehensive report writing – Accounting staff can produce monthly reports with a click of a button, versus spending days as currently performed.	4.0
✓	Increased Budgetary Control – Transaction can be locked out at any level	1.0
✓ ⌚	Budget Import/Export Functionality – Expedites budget development & maintenance	0.5
✓	GL Transactions linked to other modules	1.0

Improved Fiscal Reporting and Project Management		12.0
✓ ⌚	Improved Reports – Eden provides an infinite amount of reports that can be developed	4.0
✓	Department managers can expect more pertinent reports from accounts payable, accounts receivables, budgeting, business licenses, payroll, project management, etc.	2.0
✓	More Timely Reports – Eden allows reports to be generated from any specified date range. Department Managers can generate periodic reports without the assistance from Finance. This cannot be done with CCS.	2.0
✓ ⌚	Quicker lookup – Eden’s powerful Query-By-Example (QBE) facilitates quick information lookups (for a specific payment to a vendor, current appropriation balance, year to date project expenditure, etc.) allows quicker retrieval of pertinent information	2.0
✓ ⌚	Drill-down capabilities – Eden allows Department Managers and key staff to easily drill down on reports and see the details of the transaction.	2.0

System Maintenance		2.0
⌚	Increased processing speed	1.0
⌚	Ongoing system maintenance	1.0

Total increased productivity/time savings (hours per week)	60.5
Average hourly wage for the Finance Department	\$ 31.50
Estimated dollars from increased productivity/time savings (per week)	\$ 1,906
Estimated dollars from increased productivity/time savings (annual)	\$ 99,099

Estimated dollars from increased productivity/time savings (annual)	\$ 99,099
Plus savings from eliminating CCS maintenance costs (annual)	\$ 20,000
exceeds Eden's annual cost of ownership	
Average annual cost of ownership – Eden for 5 years	\$ 96,883
Average annual cost of ownership – Eden for 10 years	\$ 66,672

General Fund Cashflow Analysis

(FY 2001/02 through FY 2007/08)

This schedule shows that, based upon a budget that does not take the costs or revenues of future projects into consideration, total Fund Balance for the General Fund is projected to drop from \$10.3 million at 6/30/01 to \$5.6 million at 6/30/08. The projections generally assume, after 2003/04, a 3% increase in revenues and in expenditures. However, property taxes and sales taxes are projected to increase an average of 5% a year beginning in 2004/05, except that sales tax growth is shown as 3% for 2004/05. In addition, sales tax revenues from specific new businesses are projected as a separate revenue line item. Transient occupancy taxes are projected to increase by 5% in 2004/05, followed by 8% annual increases as the economy rebounds somewhat and hotels realize higher occupancy rates. This schedule reflects a one-time loss for the vehicle in-lieu fee State backfill for Fiscal Year 2003/04 and assumes the Governor's proposal to shift \$320,000 per year in property taxes from Morgan Hill, beginning in 2004/05, is implemented. Consistent with the Guidelines adopted by the City Council, the analysis assumes global expenditure reductions of \$800,000 beginning in 2004/05 and an additional \$400,000 beginning in 2005/06, as well as new unidentified revenue increases of \$800,000 beginning in 2005/06 and an additional \$400,000 beginning in 2006/07, on top of the addition of certain new expected sales tax producers. The projection does not factor in new employee positions or funding of currently unfunded positions after 2002/03 except that 4 new Aquatics related positions are reflected beginning in 2003/04. Potential future costs for operating a new fire station, Community Indoor Recreation Center operators, City Hall expansion, and expanded parks maintenance are not included in costs.

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
<i>Beginning Balance</i>	10,289,784	10,870,767	10,747,741	9,821,672	7,912,450	6,852,380	6,547,025
Revenues & Trnfrs In	15,434,532	15,802,766	15,263,345	16,860,423	18,261,796	19,993,023	20,344,583
Exps/Trnsfers Out(7)	(14,853,549)	(15,925,792)	(16,189,414)	(18,769,645)	(19,321,866)	(20,298,378)	(21,349,180)
<i>Ending Balance</i>	10,870,767	10,747,741	9,821,672	7,912,450	6,852,380	6,547,025	5,542,427
Less:Designations(4)	3,382,000	7,350,974	3,621,572	4,114,331	4,470,151	4,902,161	4,989,231
<i>Undesg Fd Balance</i>	<u>7,488,767</u>	<u>3,396,767</u>	<u>6,200,100</u>	<u>3,798,119</u>	<u>2,382,229</u>	<u>1,644,864</u>	<u>553,197</u>

General Fund Cashflow Analysis

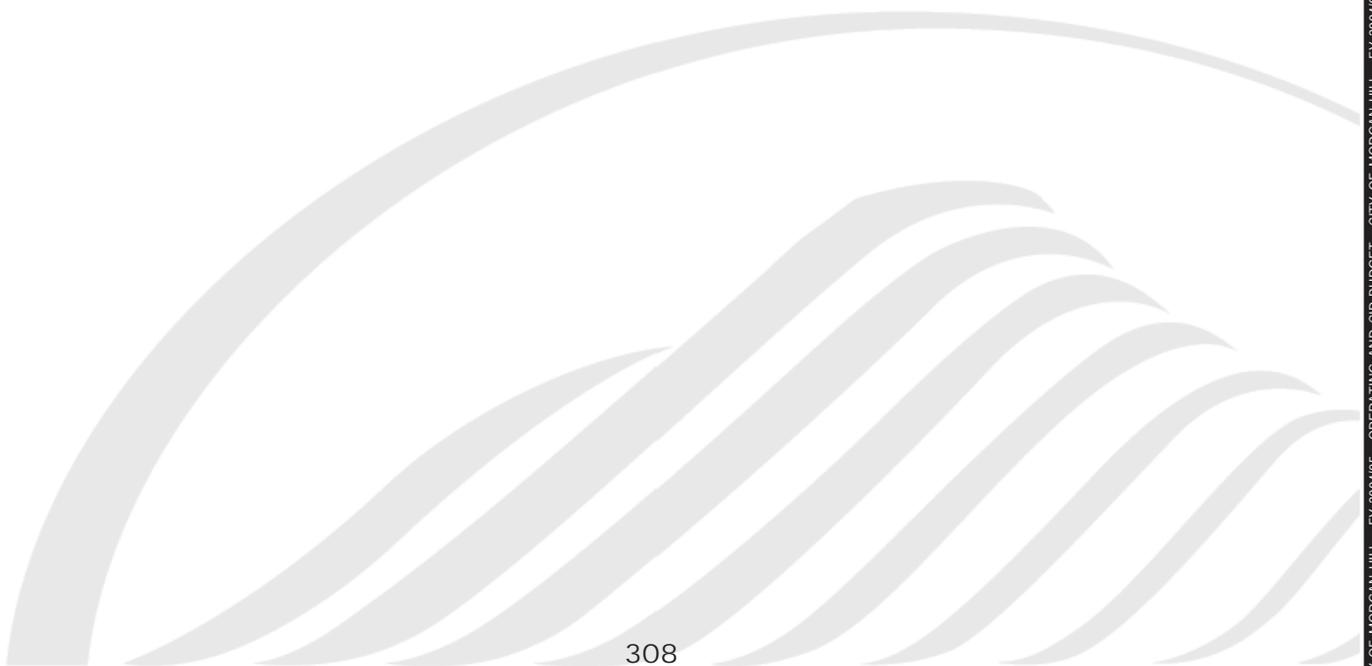
(Continued)

<u>REVENUE DETAIL</u>	<u>2001/02</u>	<u>2002/03</u>	<u>2003/04</u>	<u>2004/05</u>	<u>2005/06</u>	<u>2006/07</u>	<u>2007/08</u>
TAXES:							
Property Tax	2,167,507	2,315,105	2,445,603	2,567,900	2,696,295	2,831,110	2,972,665
State prop tax taking				(320,000)	(336,000)	(352,800)	(370,440)
Sales Tax-Base Line	4,870,294	4,636,927	4,180,745	4,306,000	4,521,300	4,747,365	4,984,733
Sales Tax-New Bus.	-	-	42,000	294,000	308,000	315,000	320,000
TOT Tax	931,716	882,194	900,000	945,000	1,020,600	1,102,248	1,190,428
Franchise Fees	954,641	966,134	966,576	965,000	993,950	1,023,769	1,054,482
Pub Sfty Sales Tax	289,705	264,603	240,000	252,000	264,600	277,830	291,722
Property Trnsfr Tax	267,399	288,411	350,000	367,500	378,525	389,881	401,577
TOTAL TAXES	9,481,262	9,353,374	9,124,924	9,377,400	9,847,270	10,334,402	10,845,167
LICENSES/PERMITS	205,595	196,209	197,261	201,720	207,772	214,005	220,425
REVENUE FROM OTHER AGENCIES:							
Motor Vehicle Fee(8)	1,904,697	2,035,157	1,500,000	2,157,266	2,221,984	2,918,983	2,600,733
Other	254,706	163,211	253,014	304,400	200,000	200,000	200,000
TOTAL REV-AGNS	2,159,403	2,198,368	1,753,014	2,461,666	2,421,984	3,118,983	2,800,733
FINES/PENALTIES	108,962	78,552	52,000	47,000	48,410	49,862	51,358
CHARGES - CURRENT SERVICES:							
Recrtn/CCC Classes	40,718	123,951	224,783	326,750	336,553	346,649	357,049
Aquatics Revenue(2)	-	-	73,833	1,181,625	1,217,074	1,253,586	1,291,194
Gen Admin Overhd	1,575,484	1,855,934	2,007,978	1,793,851	1,847,667	1,903,097	1,960,189
Other Charges	313,400	241,361	280,935	234,050	241,072	248,304	255,753
TOTAL CUR SRVS	1,929,602	2,221,246	2,587,529	3,536,276	3,642,364	3,751,635	3,864,184
Interest earnings	586,674	402,677	250,000	250,000	298,000	278,000	262,000
CCC/Gavilan Rent	-	69,568	368,132	443,000	456,290	469,979	484,078
Other Rentals	41,412	105,200	108,000	126,261	144,093	152,926	152,959
Other new revenues					800,000	1,224,000	1,260,720
Other	53,350	252,240	45,427	14,000	14,420	14,853	15,298
TOTAL OTH REVS	681,436	829,685	771,559	833,261	1,712,803	2,139,757	2,175,056
TRANSFERS IN							
Park Maintenance	100,000	100,000	200,000	125,000	100,000	100,000	100,000
Sewer/Water/Other	263,235	35,000	39,058	103,100	106,193	109,379	112,660
Public Safety	505,037	270,000	273,000	175,000	175,000	175,000	175,000
Community Rec Ctrs		520,332	265,000	-	-	-	-
TOTAL TRFRS IN	868,272	925,332	777,058	403,100	381,193	384,379	387,660
TOTAL REVS/XFRS	15,434,532	15,802,766	15,263,345	16,860,423	18,261,796	19,993,023	20,344,583

General Fund Cashflow Analysis (Continued)

EXPENDITURES:	2001/02	2002/03 ⁽⁵⁾	2003/04 ⁽⁵⁾	2004/05	2005/06	2006/07	2007/08
City Council	205,837	220,627	204,842	174,319	179,549	184,935	190,483
City Clerk	412,451	288,986	339,098	381,330	392,770	404,553	416,690
City Mngr/Cable TV	530,387	514,855	538,916	439,265	452,443	466,016	479,997
Recreation	555,522	522,839	610,516	366,463	377,457	388,781	400,444
Community & Cul Ctr.	-	794,220	1,046,300	1,295,774	1,334,647	1,374,687	1,415,927
Aquatics(2)	-	-	276,354	1,179,260	1,214,638	1,251,077	1,288,609
Police	5,946,049	6,044,109	6,520,598	7,929,250	8,196,220	8,442,107	8,695,370
Police Debt Serv(1)	-	-	-	79,000	210,000	210,000	210,000
Fire	3,559,610	3,623,938	3,745,220	4,194,617	4,356,154	4,642,500	4,967,800
City Attorney	702,577	851,468	578,622	591,191	608,927	627,195	646,010
Medical Services	192,526	115,000	-	-	-	-	-
Finance	1,035,844	1,005,030	914,962	927,325	955,145	983,799	1,013,313
Human Resources	537,155	572,828	558,309	485,417	499,980	514,979	530,428
Park Maintenance	649,472	834,892	760,427	723,072	744,764	767,107	790,120
PERS Rates(3)	-	-	-	-	145,355	285,549	434,024
Health Costs(6)	-	-	-	-	103,818	220,095	350,325
Workers Comp Costs(7)	-	-	-	-	50,000	50,000	50,000
Other projected savings	-	-	-	-	(400,000)	(412,000)	(424,360)
Less: 1% salary savings	-	-	-	(95,663)	(100,000)	(103,000)	(106,000)
Total Expenditures	14,327,430	15,388,792	16,094,164	18,670,620	19,321,866	20,298,378	21,349,180
Transfers Out							
Street Maintenance	270,000	377,000	-	-	-	-	-
Building Maint/Other	56,119	-	-	-	-	-	-
General Plan Update	-	60,000	-	-	-	-	-
Information Services	-	-	35,250	49,025	-	-	-
Employee Assistance	-	-	60,000	-	-	-	-
Community Centers	200,000	100,000	-	50,000	-	-	-
Total Transfers Out	526,119	537,000	95,250	99,025	-	-	-
TOTAL EXPS/TRFS	14,853,549	15,925,792	16,189,414	18,769,645	19,321,866	20,298,378	21,349,180

- (1) Cost of acquiring/building a new police station reflect the portion of debt service to be paid by the General Fund
- (2) Annual operating costs are assumed to equal annual revenues beginning in 2004/05
- (3) PERS Rate changes are in addition to, and do not include, prior significant PERS increases which are reflected in departmental budgets
- (4) Beginning in 2004/05, the General Fund target reserve has been established as 25%, based upon City Council direction in January 2004.
- (5) Expenditures for 2002/03 include \$222,404 for prior year carry-over encumbrances and for prior year projects rebudgeted in 2002/03. Projected 2003/04 expenditures include \$79,660 in prior year carry-over encumbrances.
- (6) Health costs separately shown represent projected costs in excess of the assumed 3% inflation rate.
- (7) Workers Comp separately shown represent an increase to Workers' Comp Fund reserves
- (8) A one-time loss in Motor Vehicle In-Lieu Fees, amounting to \$630,340 shifted to the State, is reflected in 2003/04 and is offset by a State repayment of \$630,340 to the City in 2006/07, as required by AB 1768.



Inhibitors to Economic Development

The Council's adopted budget principles suggest "City policies that may inhibit economic development, especially new retail development, should be reviewed regularly and modified."

There are a number of circumstances that hamper economic growth in Morgan Hill. Some of these circumstances arise out of City policies established to attain other, equally worthwhile goals. In particular, the following values directly compete with the value of encouraging economic development:

- The policy that "new growth" should bear the administrative and infrastructure-related costs of development
- The desire to control residential development, which leads to higher land prices and limits the City's attractiveness to certain businesses
- The goal of maintaining open space
- The objective of maintaining high design standards

Other circumstances that inhibit economic development reflect private-sector forces over which the City has little control. The table below provides additional details on the ways in which current conditions inhibit economic development. Activities that could mitigate these conditions and improve the climate for economic development are listed as well.

Following this table is the City's current Economic Development Strategy, which identifies the City's economic development goals and the plans for attaining them.

Economic Development Inhibitors Related to City Policies

Condition	Possible Mitigations	Staff Comments
<p><i>Impact Fees</i></p> <p>1) All impact fees, but particularly traffic and sewer impact fees, add to building costs.</p> <p>2) Commercial and industrial developers pay impact fees at the time they pull building permits. (In accordance with state law, residential developers pay impact fees upon issuance of occupancy permit.) In some cases, fees may increase while they await plan check approvals.</p>	<p>1) Develop an RDA-sponsored program for impact fee payment or financing. A City-sponsored financing program already exists for sewer and traffic fees.</p> <p>2) Modify the municipal code to allow commercial and industrial developers to lock in fee calculations at the time of building plan check submittal. Recommend setting a period of time by which they need to pull a permit before fees will go up.</p>	<p>Dedicating RDA funds to a financing program necessarily reduces funding for other RDA activities.</p> <p>Some fees cannot be changed, such as burrowing owl fees, which are required under a settlement agreement, and school fees, which are required by state statute. One customer service improvement would be to collect school fees at City offices, eliminating one trip that developers now have to make in paying fees.</p>
<p><i>Utility Undergrounding Requirements</i></p> <p><i>The Municipal Code requires that overhead utilities be buried underground as property is developed. This adds to the cost of development.</i></p>	<p>Where appropriate, developers are permitted to pay in-lieu fees. The City recently adopted an in-lieu fee financing program.</p>	<p>If these costs are not borne by property developers, another funding source will need to be identified, or utilities will not be buried underground.</p>

Inhibitors to Economic Development (Continued)

Condition	Possible Mitigations	Staff Comments
<p><i>Use Permits</i></p> <p>1) The standard use permit charge of \$3,000 is disproportionately high for small projects.</p> <p>2) Any mixed-use proposal requires a use permit.</p>	<p>1) Set fee levels based on complexity of review process. Allow staff to issue use permits in some cases, bypassing the Planning Commission.</p> <p>2) Reduce or eliminate use permit fee for mixed uses.</p>	<p>This would reduce costs and streamline the approval process.</p>
<p><i>Planned Unit Developments</i></p> <p>PUD requirements for small areas add to the cost and time for processing developments. Some PUD requirements (particularly the landscaping requirements) may be onerous.</p>	<p>Remove PUD designations for certain areas.</p>	<p>Examples are the Condit area, Ford site, and Walnut Grove PUD. The Council may want to reconsider the reasons for establishing certain PUDs.</p>
<p><i>Architectural Review</i></p> <p>1) The ARB or ARB subcommittee has to review almost everything except signs.</p> <p>2) Our General Plan policies, which prohibit franchise architecture, are an inhibitor to certain types of uses.</p>	<p>1) Amend the ordinance to allow for more staff administrative approval especially in the downtown area.</p> <p>2) These restrictions could be removed from the General Plan if supported by the Council.</p>	

Economic Development Inhibitors Not Related to City Policies

Condition	Possible Mitigations	Comments
<p>Given the multiple ownership patterns at our freeway interchanges, pre-planning and/or a lack of agreement between property owners is also a significant inhibitor to economic development.</p>		<p>The City can facilitate discussions between owners, but cannot force an agreement between property owners and/or developers.</p>

Inhibitors to Economic Development (Continued)

ECONOMIC DEVELOPMENT STRATEGY GOALS, POLICIES & ACTIONS

GOAL 1: Attract, Retain, And Expand Those Businesses That:

- *Create and/or retain quality jobs for Morgan Hill residents.*
- *Enhance the local economic base by retaining or generating new sales and/or use tax revenue within the community.*
- *Provide a shopping convenience presently lacking in the community.*
- *Maintain a diversified local economic base.*
- *Enhance and/or maintain the community's quality of life.*

GOAL 2. Sustain A Financially Healthy And Vibrant Downtown

GOAL 3. Ensure The Accountability Of All Economic Development Partnerships

Inhibitors to Economic Development (Continued)

GOAL 1: Attract, Retain, And Expand Those Businesses That:

- *Create and/or retain quality jobs for Morgan Hill residents.*
 - *Enhance the local economic base by retaining or generating new sales and/or use tax revenue within the community.*
 - *Provide a shopping convenience presently lacking in the community.*
 - *Maintain a diversified local economic base.*
 - *Enhance and/or maintain the community's quality of life.*
-

Attraction Policies And Actions

Policy 1A: Establish and market an image that effectively attracts businesses to locate and invest in Morgan Hill. *(R/E)*

Policy 1B: Leverage Agency/City funds to assist businesses by:

- Maximizing the return to the City
- Ensuring that Agency monies attract other private investment dollars. *(R/E, D/T)*

Policy 1C: Review and evaluate the City's business assistance guidelines annually, at a minimum, and make modifications as appropriate. *(R/E, D/T, ACCT)*

Policy 1D: Continue implementing ongoing efforts to evaluate and revise entitlement process to reduce processing time, make it easier to use the process and enhance applicant satisfaction. *(R/E, D/T)*

Policy 1E: Encourage the assembly of parcels needed for commercial/industrial development at the three highway interchanges in Morgan Hill. *(R/E)*

Policy 1F: Participate proactively in regional efforts to evaluate future growth industries and/or emerging technologies and use the information to better position the City to take advantage of those future opportunities. *(R/E)*

Policy 1G: Target businesses that will act as a catalyst to stimulate other development. *(D/T)*

Action 1A: Improve the efficiency and effectiveness of business ombudsman services to the community.

Action 1B: Prepare a target industry/business analysis (Study) for both retail and industrial development. The Study would include both a cluster and an economic base analysis to identify existing industries/businesses in town and current development trends. The results of the Study would be coordinated with and used to further the City's marketing efforts.

Action 1C: Establish a business attraction program that contains the following elements:

- Establishes a "private-public" partnership approach for following up on leads from major corporations.
- Targets industries/businesses based on the results of the target business/cluster analysis.
- Coordinates marketing efforts with the private sector.

Inhibitors to Economic Development (Continued)

- Action 1D:** Develop a marketing strategy that includes the following elements:
- An advertising campaign
 - Target mailings
 - Preparation of any needed marketing collateral
 - Public relations campaign
- Action 1E:** Continue working with property owners and developers to facilitate the assembly of key commercial/industrial properties located at the three highway interchanges.
- Action 1F:** As a pilot program, prepare PUD guidelines for the Walnut Grove area to make it more ready for development.
- Action 1G:** Maintain the City Council's Economic Development Committee (with rotating membership) to discuss specific business proposals that are evaluated against established criteria/parameters for economic development loan/grant programs and to update this Strategy annually.
- Action 1H:** Continue implementing the auto dealership strategy and provide periodic status updates to the City Council.
- Action 1I:** The City Council's Economic Development Committee (EDC) will review the business assistance guidelines annually, at a minimum, and make recommendations to the City regarding revisions.

Retention/Expansion Policies And Actions

- Policy 2A:** Encourage the use/reuse of vacant buildings.
- Policy 2B:** Focus on the retention of those companies which:
- Have been successful in the community for a minimum of seven years with priority given to those which have national/international name recognition
 - Provide a stimulus or spin off effect for other similar businesses to locate in the area
- Policy 2C:** Retain and support expansion of commercial businesses which:
- Reflect the image and/or represent the history of Morgan Hill.
 - Create jobs, generate tax revenue to the City, and/or provide a service currently lacking in the community
- Policy 2D:** Encourage tourism.
- Action 2A:** Establish a business retention program that contains the following elements:
- Business visitation and/or surveying programs including the analysis of results and follow-up from a response team.
 - An "early warning system" to identify at-risk firms prior to their shut down or relocation.
 - A database of businesses in town by type and size needed for the retention/expansion program.
 - A program to assist small high tech or "niche" industries in town with their business-to-business activities.
- Action 2B:** Develop a reuse strategy for older, vacant industrial buildings.

Inhibitors to Economic Development (Continued)

GOAL 2: Sustain A Financially “Healthy” And Vibrant Downtown

Policies and Actions

Policy 2a: Encourage transit-oriented development with a mix of market and affordable housing in or adjacent to downtown.

Policy 2b: Encourage the revitalization of downtown by dedicating a specific amount of Agency's funds toward downtown development.

Policy 2c: Minimize the impacts that new large retail development may have on the financial viability of similar businesses in the City with particular focus on downtown. No City/Agency funds should be expended to minimize the impacts.

Action 2a: Provide start-up funding for and work with the Morgan Hill Downtown Association (MHDA) to implement a Main Street program in downtown.

Action 2b: Issue an RFP to solicit proposals for potential retail, commercial, residential, and/or mixed use developments in an expanded downtown area. Designate a specific amount of funding available to assist selected projects:

- \$1M in the Agency's 20% Housing Set-aside monies
- \$1M in Agency Economic Development funds
- \$1M in Agency funds allocated to infrastructure monies.

The Agency would use the Updated Downtown Plan to evaluate proposals and may choose to fund one or more projects.

Action 2c: Develop a reuse strategy for the Albertson's shopping center.

Action 2d: Evaluate the level and priority of public improvements needed for the downtown to stimulate development along Monterey Road.

Action 2e: Encourage and facilitate the earliest completion of PL566 to reduce the potential for flooding downtown.

Action 2f: Research and evaluate programs and policies implemented by other cities to minimize the impacts that new large retail development may have on the financial viability of similar businesses in the downtown area.

Inhibitors to Economic Development (Continued)

GOAL 3: Ensure The Accountability Of All Economic Development Partnerships

Policies and Actions

Policy 3A: All economic development programs and activities provided by Economic Development Partnerships (Partnerships) or City/Agency staff will be required to establish and regularly report on goals/objectives, performance measures, and action plans which will be used for regular evaluations.

Policy 3B: The City will encourage all Partnerships to become financially self-sufficient over an established period of time.

Action 3A: The City's Economic Development Committee will:

- Semiannually assess the effectiveness of all Partnerships and City activities against the EDS and established goals and performance measures.
- Assist in establishing the goals, objectives and performance measures for the various Partnerships and City economic development programs.
- Suggest improvements and alternate approaches for Partnerships and City programs in meeting EDS goals and policies, as appropriate.

Action 3B: The City Council will receive semiannual updates of financial resources available for economic development activities and the status of funded activities including, but not limited to, private investment leveraged, revenues generated, jobs created/retained, and status of implementation.



Relationship With Other Agencies

The City of Morgan Hill partners with other agencies/entities in order to provide, facilitate or otherwise further public purposes. Those agencies that are a component unit of the City are reported in the City's annual financial statements. Others do not meet the criteria for reporting as established by Generally Accepted Accounting Principles. However, the City believes the following list, and definition of terms, may be helpful to the readers of the budget document in understanding the various relationships in which the City engages.

Joint Powers Authority

- Morgan Hill Corporation Yard Commission: A joint powers authority between the Morgan Hill School District and the City to facilitate the sharing and maintenance of public facilities.
- South County Regional Wastewater Authority: A joint powers authority between the City of Gilroy and the City of Morgan Hill for the sharing of sewer transport and treatment.
- Association of Bay Area Governments: A joint powers authority of multiple bay area cities to provide efficient and effective liability insurance pools.
- Local Agency's Worker's Compensation Excess Liability: A joint powers authority of multiple bay area cities and districts to obtain cost effective excess worker's compensation insurance.
- California Disaster and Civil Defense Mutual Aid: Disaster Assistance
- Employee Relations Service: Sharing of information and studies regarding recruitment, wages and benefits.

Associated Non-Profit Groups

The following non-profit groups provide business and community services within the City of Morgan Hill. The City provides financial support to these groups to assist with community needs.

- Catholic Charities
- Community Solutions
- Emergency Housing Consortium
- Lighthouse
- Live Oak Adult Day Services
- Morgan Hill Chamber of Commerce
- Morgan Hill Downtown Association
- Project Sentinel
- Santa Clara Association of Cities
- Second Harvest Food Bank

Redevelopment and Housing Authorities

- Redevelopment Agency of the City of Morgan Hill: Provides community improvements, services to businesses, economic development and low income housing and housing rehabilitation.

Special Districts

- Santa Clara County Central Fire District: Provides fire service and emergency response to a defined geographical area which includes the City of Morgan Hill.
- Morgan Hill Wastewater Financing Authority: To facilitate the issuance of debt for improvements to wastewater system.
- Morgan Hill Financing Authority: To facilitate the issuance of bonds for reassessment of the Morgan Hill Ranch Assessment District 1994-I.

Revenue Sources

Revenue Source	Revenue Type	Voter Approval Required? Who Votes?	Estimated Potential Annual Dollars	Use of Revenue	Comments
USER FEES					
<i>Park Field Rental</i>	Fees	No	\$10,000 estimate	Maintain fields	
<i>Emergency Response "911" Fee</i>	Fees	No	\$800,000	Emergency dispatch. Dispatch capital & service costs	San Francisco charges. Charged as a fee per access line & fee per trunk line. Legal question about charging for services that already have to be provided to public.
SALES TAX					
	Special Tax (potential for general tax with advisory measure vote)	2/3 approval of electorate (potential for majority vote with advisory measure)	\$2.2 million	1) criminal just facils, 2)libraries 3)transportation, 4)public education, 5)drug abuse & crime prevention	1/2% tax
	general tax	majority of electorate	\$1.1 million	general purposes	1/4% maximum tax
BUS. LICENSE TAX					
	general tax	majority of electorate	\$300,000- \$600,000	general	Expansion of tax could be based on flat fee, employee count or gross receipts (current tax combination of flat fee/employee count)
UTILITY USERS TAX					
	general tax	majority of electorate	estimate of up to \$650,000 per 1% tax rate	general	Can be applied to gas, electric, telephone, sewer, water, refuse, cable tv, and pay phone & mobile phone calls orig. in City

Revenue Sources (Continued)

Revenue Source	Revenue Type	Voter Approval Required? Who Votes?	Estimated Potential Annual Dollars	Use of Revenue	Comments
DEVELOPMENT TAX	general tax	majority of electorate	to be determined	general	Excise tax on privilege, activity, or availability of development or use of municipal services. Imposed on new construction based on no. of units, no. of bedrooms, or square footage.
MELLO ROOS TAX	special tax	2/3 approval of electorate	to be determined	land purchase & capital costs (including park, recreation, open space, libraries). Services: recreation, library, police, fire, ambulance, flood & storm, paramedic, hazardous clean-up, parks, open space, museums, & cultural facilities	Very flexible formulas allowed. Tax allocation not tied to benefit. Levied against real property. When used for services, the fee must be charged for new services only to parcels receiving services
PARCEL TAXES	special tax	2/3 approval of electorate	to be determined \$100 tax per parcel would generate \$850,000	Public safety, stormwater, cultural center, street maint., library & recreation services	Excise tax that may be applied at a flat per-parcel rate or on a unit rate (based on use, size, &/or no. of units. Proportionality of benefit to taxpayer by payers required

Revenue Sources (Continued)

Revenue Source	Revenue Type	Voter Approval Required? Who Votes?	Estimated Potential Annual Dollars	Use of Revenue	Comments
POLICE & FIRE TAX	special tax	2/3 approval of electorate	to be determined \$100 tax per parcel would generate \$850,000	Police and/or fire services & capital costs (types of costs must be specified in ballot measure)	Rate can be same for all parcel owners or can be based upon relative benefits received by each Can be applied city-wide or in zones that vary with benefit
FRANCHISES	franchise revenue	no	\$190,000	general	Refuse rate locked in for term of contract. Cable tv limited to max charged. PG&E not negotiable. (While City's rate for refuse is already relatively high at 16%, it could be increased to 20%
LIGHTING & LANDSCAPE ASSESSMENT	assessment	majority of property owners	\$800,000	maintenance of parks, landscaping, lighting, traffic signals, tree maintenance, sidewalk maintenance & graffiti abatement	Property owner vote is weighted by dollar assessments
FIRE SUPPRESSION DISTRICT	assessment	majority of property owners	\$4 million	fire suppression: obtain, furnish, operate & maintain fire services & apparatus; fire personnel salaries & benefits	Property owner vote is weighted by dollar assessments

Revenue Sources (Continued)

Criteria	User Fees	Emergency Response 911 Fee	Sales Tax (special tax)	Sales Tax (general tax)	Business License Tax	Utility Users Tax	Documentary Transfer Tax	Development Tax	Mello-Roos Tax	Parcel Tax	Police & Fire Tax	Franchises	Lighting & Landscape Assessments	Fire Suppression District
Fairness & Equity	low	med	high	high	varies	high	high	low	low	low	low	high	low	low
Transparency & Visibility	high	med	high	med	low	low	low	low	high	high	high	low	high	high
Minimum Tax Gap	high	high	high	high	varies	high	high	high	high	high	high	high	high	high
Neutrality	med	high	med	med	med	high	high	med	med	high	high	high	high	high
Certainty	high	high	high	high	varies	high	high	high	varies	high	high	high	varies	varies
Convenience of Payment	high	high	high	high	med	high	high	low	high	high	high	high	high	high
Economy of Collection	high	high	high	high	low	high	high	high	high	high	high	high	med	high
Simplicity	high	high	high	high	varies	high	high	high	varies	high	high	high	high	high
Economic Growth & Efficiency	med	high	med	med	varies	high	high	med	high	med	med	high	med	med
Appropriate Gvmt Revenue	High	high	med	med	varies	high	med	low	high	high	high	high	high	high

Revenue Sources (Continued)

California Commission on Tax Policy in the New Economy

Final Report

DECEMBER 2003

Revenue Sources (Continued)

FRAMEWORK FOR ANALYSIS

In determining its recommendations to alter California tax policy, the Commission was committed to evaluating tax policy within a framework of general principles of taxation. The Commission's objective was not to find new sources of revenue but to ensure that the State's tax structure meets the requirements of these guiding principles as well as the requirements of the new economy. In a broader context, fiscal and tax policy should consider both sides of the revenue dynamic:^{*}

- (1) the reasonableness of the tax source, and,
- (2) the appropriateness of its dedicated use, such as the accountability for use of revenues, the alignment of revenues and responsibilities, and the return on investment.

This report presents various options for changing California tax policy. For each option, the report provides background information, the type of action required for the proposal to be implemented (such as statutory, regulatory or constitutional amendment), and the effect of the proposed option on the balance of local and state authority. Then an analysis of pros and cons of the option is presented, organized using the three categories of guiding principles listed below. Analyzing the tax policy options in this manner will help define the parameters of the debate around each proposal. In addition, the Commission is proposing structural reforms to the state budget process.

In its 2002 Interim Report, the Commission adopted the ten tax principles described by the American Institute of Certified Public Accountants (AICPA).[†] The Commission has grouped these principles into three major categories: Fairness and Perception, Simplicity, and Efficiency and Balance.[‡]

FAIRNESS AND PERCEPTION

1. **Fairness and Equity:** Similarly situated taxpayers should be taxed similarly. Equity refers to both horizontal and vertical equity. Horizontal equity describes the concept that taxpayers with equal ability to pay should pay the same amount of tax. Vertical equity means that taxpayers with a greater ability to pay should pay more tax.
2. **Transparency and Visibility:** Taxpayers should know that a tax exists, how the tax will be administered, and when it will be imposed upon them and others. The taxpayer should also know for what purpose the revenues will be used.
3. **Minimum Tax Gap:** A tax should be structured to minimize noncompliance.
4. **Neutrality:** The impact of taxes on business and consumption decisions should be kept to a minimum.

^{*} This framework has been adopted by the California Economic Strategy Panel and previous California Commissions considering reform measures.

[†] "Guiding Principles of Good Tax Policy: A Framework for Evaluating Tax Proposals," New York: Tax Division of the American Institute of Certified Public Accountants, 2001.
<http://www.aicpa.org/pubs/jofa/feb2002/fta.htm>

[‡] The analysis in Appendix H uses the same principles of taxation, but groups them slightly differently.

Revenue Sources (Continued)

SIMPLICITY

5. **Certainty:** The tax rules should clearly specify when and how the tax is to be paid, and how the amount is to be determined.
6. **Convenience of Payment:** A tax should be due at a time or in a manner that is most likely to be convenient for the taxpayer.
7. **Economy of Collection:** The costs of collecting a tax should be kept to a minimum for both the government and taxpayers. Appeals should be handled fairly, easily and quickly.
8. **Simplicity:** The tax law should be simple so that taxpayers understand the rules and can comply with them correctly and in a cost-efficient manner.

EFFICIENCY/BALANCE

9. **Economic Growth and Efficiency:** The tax system should not impede or reduce the productive capacity of the economy.
10. **Appropriate Government Revenues:** The government should be able to determine how much tax revenue will likely be collected and when. Tax systems must provide adequate, reliable revenues for both state and local governments.



CIP Funds

- [202-8050] Streets CIP
- [215-8000] CDBG Programs/Projects
- [301-8051] Park Development
- [303-8052] Local Drainage
- [304-8060] Local Drainage (non-AB1600)
- [309-8053] Traffic Impact
- [311-8080] Police Impact
- [313-8085] Fire Impact
- [317-8055] BAHS CIP
- [346-8049] Public Facility (non-AB1600)
- [347-8056] Public Facilities Impact
- [348-8059] Library Impact
- [350-8057] Undergrounding
- [360-8059] Community Center Impact
- [641-8140] Sewer Impact
- [643-8170] Sewer Capital Projects
- [651-8110] Water Impact
- [653-8120] Water Capital Projects

[348-8059] Library Impact

Project Appropriation Summary

Fund	Project	Category	Description	03/04 Projected Expenditure	04/05 Proposed Carryover	04/05 New Request
348	227000	Pub Fac	Library	-	-	1,000,000
348			Total	-	-	1,000,000

[350-8057] Undergrounding

Project Appropriation Summary

Fund	Project	Category	Description	03/04 Projected Expenditure	04/05 Proposed Carryover	04/05 New Request
350	512093	Streets	Underground Monterey Utilities (Rule 20A Reimb)	10,000	-	195,000
350	529001	Streets	Underground Misc Locations	180,000	-	180,000
350			Total	190,000	-	375,000

[360-8059] Community Center Impact

Project Appropriation Summary

Fund	Project	Category	Description	03/04 Projected Expenditure	04/05 Proposed Carryover	04/05 New Request
360	115A02	Parks	Sports Field Complex	-	-	50,000
348			Total	-	-	50,000

[641-8140] Sewer Impact

Project Appropriation Summary

Fund	Project	Category	Description	03/04 Projected Expenditure	04/05 Proposed Carryover	04/05 New Request
641	303093	Sewer	Sewer Plant Improvement (SCRWA)	667,000	-	2,493,000
641	308094	Sewer	Trunk Line	438,000	-	430,000
641	314002	Sewer	Butterfield Sewer Trunk	83,448	-	-
641			Total	1,188,448	-	2,923,000

[643-8170] Sewer Capital Projects

Project Appropriation Summary

Fund	Project	Category	Description	03/04 Projected Expenditure	04/05 Proposed Carryover	04/05 New Request
643	301C98	Sewer	Dunne Avenue Sewer Replacement	2,793	-	-
643	301G00	Sewer	Cosmo/Monterey/Sewer Realign	113	-	-
643	302093	Sewer	Sanitary Sewer Rehabilitation	350,000	-	470,000
643	302F97	Sewer	Infiltration & Inflow Study	16,561	-	-
643	302H03	Sewer	DeWitt Sewer Replacement	5,900	-	-
643	304093	Sewer	Lift Station Improvements	643,844	-	630,000
643	304B95	Sewer	Lift Station B Improvements	112,748	-	-
643	305093	Sewer	Lift Station Telemetry	399,126	-	-
643			Total	1,531,085	-	1,100,000

**CITY OF MORGAN HILL, CALIFORNIA
FIVE YEAR CAPITAL IMPROVEMENT PROGRAM
BUDGET SUMMARY**

	(Thousands of Dollars)					
	2004-05	2005-06	2006-07	2007-08	2008-09	TOTALS
PROJECT CATEGORIES						
1 Park Facilities	\$3,396	\$5,421	\$4,266	\$1,730	\$6,930	\$21,743
2 Public Facilities	\$8,238	\$32,185	\$1,571	\$2,930	\$0	\$44,924
3 Sanitary Sewer	\$4,023	\$8,568	\$912	\$2,568	\$8,108	\$24,179
4 Storm Drainage	\$3,170	\$1,330	\$4,205	\$4,230	\$130	\$13,065
5 Streets & Roads	\$2,232	\$1,365	\$14,550	\$8,740	\$180	\$27,067
6 Water	\$1,460	\$1,520	\$920	\$390	\$960	\$5,250
TOTALS	\$22,519	\$50,389	\$26,424	\$20,588	\$16,308	\$136,228
PROJECT FUNDING SOURCES						
202 Street Fund (STIP Grant)	\$0	\$0	\$3,985	\$0	\$0	\$3,985
202 Street Fund (STIP Grant VTP 2030)	\$0	\$0	\$1,100	\$6,100	\$0	\$7,200
202 Street Fund (STP/Measure B Grant)	\$0	\$0	\$1,200	\$0	\$0	\$1,200
202 Street Fund (TDA Article 3 Grant)	\$42	\$0	\$3,985	\$0	\$0	\$4,027
206 Community Development Fund	\$0	\$0	\$300	\$0	\$0	\$300
215 CDBG Section 108 Loan	\$65	\$100	\$1,000	\$0	\$0	\$1,165
215 CDBG Grant	\$166	\$0	\$0	\$0	\$0	\$166
301 Park Development Fund (AB1600)	\$2,060	\$4,509	\$245	\$122	\$1,870	\$8,806
302 Park Maint (Prop 40 Per Capita Grant Program)	\$0	\$230	\$0	\$0	\$0	\$230
301 Park Development Fund (TEA Grants)	\$0	\$136	\$0	\$688	\$0	\$824
302 Park Maint (Open Space Authority - MH Share) **	\$0	\$150	\$0	\$0	\$0	\$150
302 Park Maint (Open Space Funds - TDCs) **	\$0	\$150	\$0	\$0	\$0	\$150
302 Park Maint (Prop 40-Competitive)	\$0	\$30	\$0	\$0	\$0	\$30
303 Regional Drainage (AB1600)	\$2,000	\$90	\$2,445	\$0	\$0	\$4,535
304 Regional Drainage non-AB1600	\$840	\$130	\$130	\$130	\$130	\$1,360
309 Traffic Impact Fees (AB1600)	\$1,050	\$775	\$4,950	\$2,110	\$0	\$8,885
313 Fire Impact Fund (AB1600)	\$100	\$0	\$0	\$0	\$0	\$100
317 Redevelopment Agency	\$8,735	\$18,310	\$4,357	\$4,450	\$0	\$35,852
346 Pub Facil non-AB1600 (Co. Library Funds)	\$553	\$1,228	\$0	\$0	\$0	\$1,781
346 Pub Facil non-AB1600 (COP Bond)	\$0	\$0	\$0	\$2,050	\$0	\$2,050
346 Pub Facil non-AB1600 (Library Prop 14)	\$0	\$14,183	\$0	\$0	\$0	\$14,183
347 Public Facility Fund (AB1600)	\$0	\$0	\$380	\$880	\$0	\$1,260
348 Library Impact Fund	\$1,000	\$0	\$0	\$0	\$0	\$1,000
350 Undergrounding	\$375	\$240	\$180	\$180	\$180	\$1,155
360 Sports Field Impact Fee (AB1600)	\$50	\$40	\$40	\$50	\$50	\$230
641 Sewer Capital Expenditure Fund (AB1600)	\$3,123	\$178	\$392	\$2,218	\$128	\$6,039
641 Sewer Capital Expend Fund (Rev Bond Sale)	\$430	\$8,040	\$0	\$0	\$7,000	\$15,470
643 Sewer Replacement Fund	\$470	\$350	\$620	\$350	\$980	\$2,770
651 Water Capital Expenditure Fund (AB1600)	\$345	\$1,120	\$420	\$340	\$350	\$2,575
653 Water Replacement Fund	\$1,115	\$400	\$600	\$50	\$610	\$2,775
970 Funding Sources to be Developed	\$0	\$0	\$95	\$760	\$0	\$855
988 Private Funding Sources	\$0	\$0	\$0	\$110	\$5,010	\$5,120
TOTAL FUNDING SOURCES	\$22,519	\$50,389	\$26,424	\$20,588	\$16,308	\$136,228

** May require advance from Fund 301 Park Development

5/14/2004 10:51 AM V - 8

**CITY OF MORGAN HILL
CAPITAL IMPROVEMENT PROGRAM
Park Facilities**

(Thousands of Dollars)

PROJECT TITLE	2004-05	2005-06	2006-07	2007-08	2008-09	TOTALS
106096 Butterfield Boulevard Linear Park	\$0	\$160	\$0	\$810	\$0	\$970
110097 Parks Land Purchase	\$1,810	\$1,075	\$0	\$0	\$1,870	\$4,755
114000 Regional Soccer Complex	\$979	\$0	\$0	\$0	\$0	\$979
115000 Aquatics Center	\$76	\$76	\$1,686	\$110	\$5,010	\$6,958
115A02 Sports Field Complex	\$250	\$2,450	\$40	\$50	\$50	\$2,840
117001 West Little Llagas Creek Trail	\$0	\$55	\$1,445	\$0	\$0	\$1,500
119001 Permanent Skateboard and BMX Park	\$0	\$0	\$95	\$760	\$0	\$855
120001 Community Park Improvements	\$50	\$1,205	\$0	\$0	\$0	\$1,255
123A03 Galvan Park Improvements Phase III	\$166	\$0	\$0	\$0	\$0	\$166
124003 El Toro Youth Center/Friendly Inn Renovation	\$65	\$100	\$1,000	\$0	\$0	\$1,165
125004 El Toro Open Space	\$0	\$300	\$0	\$0	\$0	\$300
	\$3,396	\$5,421	\$4,266	\$1,730	\$6,930	\$21,743
PROJECT FUNDING SOURCES						
202 Street Fund (STP/Measure B Grant)	\$0	\$0	\$1,200	\$0	\$0	\$1,200
215 CDBG Section 108 Loan	\$65	\$100	\$1,000	\$0	\$0	\$1,165
215 CDBG Grant	\$166	\$0	\$0	\$0	\$0	\$166
301 Park Development Fund (AB1600)	\$2,060	\$4,509	\$245	\$122	\$1,870	\$8,806
302 Park Maint (Prop 40 Per Capita Grant Program)	\$0	\$230	\$0	\$0	\$0	\$230
301 Park Development Fund (TEA Grants)	\$0	\$136	\$0	\$688	\$0	\$824
302 Park Maint (Open Space Authority - MH Share) **	\$0	\$150	\$0	\$0	\$0	\$150
302 Park Maint (Open Space Funds - TDCs) **	\$0	\$150	\$0	\$0	\$0	\$150
302 Park Maint (Prop 40-Competitive)	\$0	\$30	\$0	\$0	\$0	\$30
317 Redevelopment Agency	\$1,055	\$76	\$1,686	\$0	\$0	\$2,817
360 Sports Field Impact Fee (AB1600)	\$50	\$40	\$40	\$50	\$50	\$230
970 Funding Sources to be Developed	\$0	\$0	\$95	\$760	\$0	\$855
988 Private Funding Sources	\$0	\$0	\$0	\$110	\$5,010	\$5,120
	\$3,396	\$5,421	\$4,266	\$1,730	\$6,930	\$21,743

** May require advance from Fund 301 Park Development

PROJECT TITLE: Butterfield Boulevard Linear Park

Category: Park Facilities

Project Number: 106096

Project Location: Butterfield Boulevard

DESCRIPTION:

This project will provide landscaping, walkways and bikeways along Butterfield Boulevard. The first phase of the improvements from Main Avenue to San Pedro Avenue was funded and completed with a \$460,000 Transportation Enhancement Act (TEA) Grant. The second phase (San Pedro to Tennant) and third phase (Main to Central) have been extended out to FY07/08 and FY 05/06, respectively, when additional grant funds may be available. Phase III will occur first due to the smaller scope which will have better success for grant funds. Project funding depends on applying for and receiving grant funds.



JUSTIFICATION:

The Parks Master Plan calls for installation, where possible, of bike and pedestrian trails along all creeks and channels.

RESPONSIBLE DEPARTMENT:

Public Works

CODE - COSTS	(Thousands of Dollars)					Five-Year
	2004-05	2005-06	2006-07	2007-08	2008-09	
6120 - Property Acquisition						\$0
6200 - Professional Service		\$10		\$60		\$70
6360 - Construction		\$130		\$700		\$830
6530 - CIP Administration		\$20		\$50		\$70
PROJECT COST		\$160		\$810		\$970

FUNDING SOURCE(S)	2004-05	2005-06	2006-07	2007-08	2008-09	Five-Year
301-Park Development Fund (TEA Grants)		\$136		\$688		\$824
301-Park Development Fund (AB1600)		\$24		\$122		\$146
		\$160		\$810		\$970

PROJECT TITLE: Parks Land Purchase

Category: Park Facilities
Project Location: Citywide

Project Number: 110097

DESCRIPTION:

The purchase of land is needed for future parks as identified in the Park Master Plan. The Master Plan recommends that new neighborhood parks are to be sited adjacent to new schools to maximize joint use of facilities. Identified funding assumes acquisition and construction of a 5-acre neighborhood park over a 2-year period beginning in 04/05 and land acquisition for second park in 08/09.

JUSTIFICATION:

Acquiring property for new parks is a required element of the Parks Master Plan. The funds collected in the Park Development Fund will need to be committed prior to the time restriction of five years as set by AB 1600.

RESPONSIBLE DEPARTMENT:

Public Works



CODE - COSTS	(Thousands of Dollars)					Five-Year
	2004-05	2005-06	2006-07	2007-08	2008-09	
6120 - Property Acquisition	\$1,740				\$1,800	\$3,540
6200 - Professional Service	\$30	\$40			\$30	\$100
6360 - Construction		\$955				\$955
6530 - CIP Administration	\$40	\$80			\$40	\$160
PROJECT COST	\$1,810	\$1,075			\$1,870	\$4,755

FUNDING SOURCE(S)						
301-Park Development Fund (AB1600)	\$1,810	\$1,075			\$1,870	\$4,755
	\$1,810	\$1,075			\$1,870	\$4,755

PROJECT TITLE: Regional Soccer Complex

Category: Park Facilities

Project Number: 114000

Project Location: Adjacent to Sobrato High School

DESCRIPTION:

City contribution of \$1M to help develop a relocated and expanded regional soccer complex, if located in the Morgan Hill area. (Community soccer fields to be included in the Sports Field Complex project 115A02). \$21,000 is anticipated to be expended by June 30, 2004 for preliminary engineering and site planning purposes.

JUSTIFICATION:

Identified through the RDA Vision and Plan Amendment process as a priority recreation need.

RESPONSIBLE DEPARTMENT:

Public Works



CODE - COSTS	(Thousands of Dollars)					Five-Year
	2004-05	2005-06	2006-07	2007-08	2008-09	
6120 - Property Acquisition						\$0
6200 - Professional Service						\$0
6360 - Construction	\$979					\$979
6530 - CIP Administration						\$0
PROJECT COST	\$979					\$979

FUNDING SOURCE(S)	2004-05	2005-06	2006-07	2007-08	2008-09	Five-Year
317-Redevelopment Agency	\$979					\$979
	\$979					\$979

PROJECT TITLE: Aquatics Center

Category: Park Facilities

Project Number: 115000

Project Location: Condit south of Barrett

DESCRIPTION:

Phase I constructed in FY 03/04. Funds in fiscal years 04/05 - 06/07 are to complete property acquisition for the remainder of the site. Phase II includes a dive pool, dive warm-up tank, 4,000 sq. ft. second recreation pool, and additional parking. Design of Phase II in 07/08 and construction in 08/09 contingent upon identification of private funding sources. Phase II, per the Aquatics Master Plan, is estimated to cost \$5.0M. Phase II funding depends on receiving private donations.



JUSTIFICATION:

Project identified as a community priority need in the RDA Visioning and Plan Amendment Process.

RESPONSIBLE DEPARTMENT:

Recreation, BAHS, Public Works

CODE - COSTS	(Thousands of Dollars)					Five-Year
	2004-05	2005-06	2006-07	2007-08	2008-09	
6120 - Property Acquisition	\$76	\$76	\$1,686			\$1,838
6200 - Professional Service				\$100		\$100
6360 - Construction					\$4,900	\$4,900
6530 - CIP Administration				\$10	\$110	\$120
PROJECT COST	\$76	\$76	\$1,686	\$110	\$5,010	\$6,958

FUNDING SOURCE(S)	2004-05	2005-06	2006-07	2007-08	2008-09	Five-Year
317-Redevelopment Agency	\$76	\$76	\$1,686			\$1,838
988-Private Funding Sources				\$110	\$5,010	\$5,120
	\$76	\$76	\$1,686	\$110	\$5,010	\$6,958

PROJECT TITLE: Sports Field Complex

Category: Park Facilities

Project Number: 115A02

Project Location: Southeast corner of Condit and San Pedro avenues

DESCRIPTION:

A large sports complex for organized outdoor sports is needed. Master Plan projects \$8M - \$10M to build out. Build-out costs identified but not programmed include off-site costs for 5,000 linear ft. of street improvements at \$1.0M. Community groups have volunteered to help construct phased project. In accordance with Parks Master Plan, a minimum of 10 baseball/softball fields and 6 soccer fields with lights, concession stands, restrooms and parking are planned. Expenditure in FY04/05 is for design of the complex. Assumes phased construction beyond 5 years. Phase 1 in FY 05/06 provides minimum field improvements including temporary fields, grading, irrigation, turf, four game backstops and four practice backstops, and expansion of parking lot. Previous FY expenditures on land acquisition were a total of \$7.65M. Funding in 6/07 - 08/09 with available impact fees will facilitate cooperative phased improvements with youth sports organizations



JUSTIFICATION:

Recommended in Parks Master Plan.

RESPONSIBLE DEPARTMENT:

Recreation, Public Works

CODE - COSTS	(Thousands of Dollars)					Five-Year
	2004-05	2005-06	2006-07	2007-08	2008-09	
6120 - Property Acquisition						\$0
6200 - Professional Service	\$240					\$240
6360 - Construction		\$2,400	\$40	\$50	\$50	\$2,540
6530 - CIP Administration	\$10	\$50				\$60
PROJECT COST	\$250	\$2,450	\$40	\$50	\$50	\$2,840

FUNDING SOURCE(S)	2004-05	2005-06	2006-07	2007-08	2008-09	Five-Year
301-Park Development Fund (AB1600)	\$200	\$2,410				\$2,610
360-Sports Field Impact Fee (AB1600)	\$50	\$40	\$40	\$50	\$50	\$230
	\$250	\$2,450	\$40	\$50	\$50	\$2,840

PROJECT TITLE: West Little Llagas Creek Trail

Category: Park Facilities

Project Number: 117001

Project Location: Edmundson to La Crosse

DESCRIPTION:

The West Little Llagas Creek Trail was identified in the Bicycle Master Plan as a high priority for implementation. Phase 1 was completed in 01/02 and connected the Paradise Valley Trail system to Edmundson Avenue. Phase 2 will extend the trail from Edmundson to Spring Avenue, contingent upon timing of the PL566 storm drain project. The City has received a \$1.2M grant requiring a 20% minimum match.



JUSTIFICATION:

This trail is designated as a high priority in circulation element of the General Plan and the adopted Bikeways Master Plan.

RESPONSIBLE DEPARTMENT:

Public Works

CODE - COSTS	(Thousands of Dollars)					Five-Year
	2004-05	2005-06	2006-07	2007-08	2008-09	
6120 - Property Acquisition						\$0
6200 - Professional Service		\$40	\$100			\$140
6360 - Construction			\$1,245			\$1,245
6530 - CIP Administration		\$15	\$100			\$115
PROJECT COST		\$55	\$1,445			\$1,500

FUNDING SOURCE(S)	2004-05	2005-06	2006-07	2007-08	2008-09	Five-Year
202-Street Fund (STP/Measure B Grant)			\$1,200			\$1,200
301-Park Development Fund (AB1600)		\$55	\$245			\$300
		\$55	\$1,445			\$1,500

PROJECT TITLE: Permanent Skateboard and BMX Park

Category: Park Facilities

Project Number: 119001

Project Location: Community Indoor Recreation Center

DESCRIPTION:

The project is for construction of a permanent skateboard and BMX park. Location has been accommodated in the Indoor Recreation Center site plan. Interim facility funded by City. Permanent site to be funded with partnership from community resources. Project funding relies on funding sources not yet identified.

JUSTIFICATION:

The permanent skateboard and BMX park will be an essential recreational facility in the city. This project complies with the General Plan requirement to support development of the recreational facilities identified in the Morgan Hill Vision Process.

RESPONSIBLE DEPARTMENT:

Public Works, Recreation



CODE - COSTS	(Thousands of Dollars)					Five-Year
	2004-05	2005-06	2006-07	2007-08	2008-09	
6120 - Property Acquisition						\$0
6200 - Professional Service			\$80	\$30		\$110
6360 - Construction				\$700		\$700
6530 - CIP Administration			\$15	\$30		\$45
PROJECT COST			\$95	\$760		\$855

FUNDING SOURCE(S)	2004-05	2005-06	2006-07	2007-08	2008-09	Five-Year
970-Funding Sources to be Developed			\$95	\$760		\$855
			\$95	\$760		\$855

PROJECT TITLE: Community Park Improvements

Category: Park Facilities
 Project Location: Community Park

Project Number: 120001

DESCRIPTION:

Expansion of Community Park is to be completed in accordance with the Parks Master Plan and Community Park Master Plan. The improvements are to include additional tennis, volleyball and basketball courts. Project must be phased due to funding limitation. The Community Park Master Plan identifies a need for \$3.0M - \$4.5M in total costs. Phase I improvements are planned for design in 04/05 and construction in 05/06.

JUSTIFICATION:

Additional recreation needs of our growing population can be met by expanding facilities at Community Park in conformance with the Parks Master Plan.

RESPONSIBLE DEPARTMENT:

Public Works



CODE - COSTS	(Thousands of Dollars)					Five-Year
	2004-05	2005-06	2006-07	2007-08	2008-09	
6120 - Property Acquisition						\$0
6200 - Professional Service	\$30					\$30
6360 - Construction		\$1,185				\$1,185
6530 - CIP Administration	\$20	\$20				\$40
PROJECT COST	\$50	\$1,205				\$1,255

FUNDING SOURCE(S)	2004-05	2005-06	2006-07	2007-08	2008-09	Five-Year
301-Park Development Fund (AB1600)	\$50	\$945				\$995
302-Park Maint (Prop 40 Per Capita Grant Program)		\$230				\$230
302-Park Maint (Prop 40-Competitive)		\$30				\$30
	\$50	\$1,205				\$1,255

PROJECT TITLE: Galvan Park Improvements Phase III

Category: Park Facilities
 Project Location: Galvan Park

Project Number: 123A03

DESCRIPTION:

CDGB funding was aquired to construct the improvements in phases. Phase I and II improvements at a cost of \$63,954 included installation of containment curbs in the parking/sidewalk areas between the baseball field and the handball courts and removal and replacement of the concrete within the handball court. Phase III improvements will include the removal and replacement of the baseball backstop and restroom building.

JUSTIFICATION:

The Parks and Recreation Master Plan calls for restrooms to be located in parks where organized league sport activities occur. The existing restroom facility is in disrepair. The existing baseball backstop is supported by wooden vertical support posts in poor condition.

RESPONSIBLE DEPARTMENT:

Public Works



CODE - COSTS	(Thousands of Dollars)					Five-Year
	2004-05	2005-06	2006-07	2007-08	2008-09	
6120 - Property Acquisition						\$0
6200 - Professional Service						\$0
6360 - Construction	\$146					\$146
6530 - CIP Administration	\$20					\$20
PROJECT COST	\$166					\$166

FUNDING SOURCE(S)	2004-05	2005-06	2006-07	2007-08	2008-09	Five-Year
215-CDBG Grant	\$166					\$166
	\$166					\$166

PROJECT TITLE: El Toro Youth Center/Friendly Inn Renovation

Category: Park Facilities
 Project Location: Hale Avenue North of Main Avenue

Project Number: 124003

DESCRIPTION:

Master Plan will be completed in FY 04/05 to establish programming needs for the YMCA and El Toro programs. Master Plan will identify construction/renovations required to meet programming needs. Design and construction in FYs 05/06 and 06/07 are dependent on the availability of CDBG Section 108 Loan funds. Project funding relies on availability of CDBG Section 108 loan funds.

JUSTIFICATION:

Identified by City Council direction for inclusion in the Parks Master Plan.

RESPONSIBLE DEPARTMENT:

Public Works, BAHS



CODE - COSTS	(Thousands of Dollars)					Five-Year
	2004-05	2005-06	2006-07	2007-08	2008-09	
6120 - Property Acquisition						\$0
6200 - Professional Service	\$65	\$100				\$165
6360 - Construction			\$1,000			\$1,000
6530 - CIP Administration						\$0
PROJECT COST	\$65	\$100	\$1,000			\$1,165

FUNDING SOURCE(S)	2004-05	2005-06	2006-07	2007-08	2008-09	Five-Year
215-CDBG Section 108 Loan	\$65	\$100	\$1,000			\$1,165
	\$65	\$100	\$1,000			\$1,165

PROJECT TITLE: El Toro Open Space

Category: Park Facilities

Project Number: 125004

Project Location: El Toro

DESCRIPTION:

Purchase of additional land on El Toro to add to city open space in accordance with the General Plan. Funding is from Morgan Hill's share of County Open Space Authority revenue and City Open Space funds. (Note: The asterisks (**)) under FUNDING SOURCES indicate that this may require an advance from Park Development Fund 301 to be repaid from future annual revenues over 10 years.)

JUSTIFICATION:

General Plan Open Space and Conservation Element advocates the preservation of open space, including specifically, El Toro.

RESPONSIBLE DEPARTMENT:

Community Development



CODE - COSTS	(Thousands of Dollars)					Five-Year
	2004-05	2005-06	2006-07	2007-08	2008-09	
6120 - Property Acquisition		\$300				\$300
6200 - Professional Service						\$0
6360 - Construction						\$0
6530 - CIP Administration						\$0
PROJECT COST		\$300				\$300

FUNDING SOURCE(S)	2004-05	2005-06	2006-07	2007-08	2008-09	Five-Year
302-Park Maint (Open Space Authority - MH Share) *		\$150				\$150
302-Park Maint (Open Space Funds - TDCs) **		\$150				\$150
		\$300				\$300

PROJECT TITLE: City Hall Expansion

Category: Public Facilities

Project Number: 222000

Project Location: Corner of Peak and Alkire

DESCRIPTION:

City Hall site master plan study completed in 01/02. For CIP planning purposes, assume new Library on adjacent site and funds in FY 06/07 for Community Development and Public Works Engineering / Administration to move to the remodeled old Library. Funds shown in FY 07/08 to remodel remaining City Hall.



JUSTIFICATION:

Expansion needed for public lobby area, Council Chambers, conference and meeting rooms, and for staff growth. Combining Community Development and Public Works Engineering will facilitate one-stop permitting.

RESPONSIBLE DEPARTMENT:

Public Works, Community Development

CODE - COSTS	(Thousands of Dollars)					Five-Year
	2004-05	2005-06	2006-07	2007-08	2008-09	
6120 - Property Acquisition						\$0
6200 - Professional Service			\$75	\$175		\$250
6360 - Construction			\$720	\$2,550		\$3,270
6530 - CIP Administration			\$85	\$205		\$290
PROJECT COST			\$880	\$2,930		\$3,810

FUNDING SOURCE(S)						
206-Community Development Fund			\$300			\$300
346-Pub Facil non-AB1600 (COP Bond)				\$2,050		\$2,050
347-Public Facility Fund (AB1600)			\$380	\$880		\$1,260
641-Sewer Capital Expenditure Fund (AB1600)			\$100			\$100
651-Water Capital Expenditure Fund (AB1600)			\$100			\$100
			\$880	\$2,930		\$3,810

PROJECT TITLE: Library

Category: Public Facilities
 Project Location: Civic Center Site

Project Number: 227000

DESCRIPTION:

A new library of at least 28,000 sq. ft. has been determined to be needed to meet the growing needs of the City. Identified funding assumes a 40,000 sq. ft. building with Prop. 14 funds. If Prop. 14 funds are not obtained, the project will be scaled back to a \$7.6M facility (\$5.5M City, \$2.1M County Library). The architect's design contract was approved in FY00/01 for a total of \$1,058,000 with \$236,000 spent in previous years and \$162,000 in County Library funds received for design. The remaining \$984,000 share to be expended in 04/05 for design services. In June 2004 Council will decide on where to build a smaller library if the grant is not approved. Project funding depends on applying for and receiving grant funds.



JUSTIFICATION:

Identified as community priority during both RDA Visioning and Plan Amendment processes. Our existing 14,000 sq. ft. facility is too small for our needs.

RESPONSIBLE DEPARTMENT:

Recreation, Public Works

CODE - COSTS	(Thousands of Dollars)					Five-Year
	2004-05	2005-06	2006-07	2007-08	2008-09	
6120 - Property Acquisition	\$1,988					\$1,988
6200 - Professional Service	\$1,480	\$1,200				\$2,680
6360 - Construction		\$14,737				\$14,737
6450 - Furnishings, Fixtures and Equipment		\$2,815				\$2,815
6530 - CIP Administration	\$40	\$130				\$170
PROJECT COST	\$3,508	\$18,882				\$22,390

FUNDING SOURCE(S)	2004-05	2005-06	2006-07	2007-08	2008-09	Five-Year
317-Redevelopment Agency	\$1,955	\$3,471				\$5,426
346-Pub Facil non-AB1600 (Co. Library Funds)	\$553	\$1,228				\$1,781
346-Pub Facil non-AB1600 (Library Prop 14)		\$14,183				\$14,183
348-Library Impact Fund	\$1,000					\$1,000
	\$3,508	\$18,882				\$22,390

PROJECT TITLE: Community Indoor Recreation Center

Category: Public Facilities

Project Number: 229001

Project Location: Along Edmundson east of Community Park

DESCRIPTION:

As identified in new Parks and Recreation Master Plan, facility includes gymnasium, indoor pool, and dedicated youth and senior spaces. A business plan was completed in FY 01/02 identifying capital costs required to meet all identified needs for the building. Based on this, Council approved \$20.7M for construction. This was \$13.8M beyond original allocation. Total Council-approved project cost is \$26.2M, including prior year spending on land (\$5.6M), design services (\$90,000), and architectural services (\$1.7M). Scheduled groundbreaking March 2005; opening May 2006.

JUSTIFICATION:

Identified as a priority community need through the RDA Visioning and Plan Amendment Process. Project directly supports the "values and developmental assets" outlined in the Cornerstone Project adopted by Council. The developmental assets most supported by construction of facility are those of providing youth a place for constructive use of time, and a place to build social competencies and positive identity.

RESPONSIBLE DEPARTMENT:

Public Works, Recreation



CODE - COSTS	(Thousands of Dollars)					Five-Year
	2004-05	2005-06	2006-07	2007-08	2008-09	
6120 - Property Acquisition						\$0
6200 - Professional Service	\$570	\$103	\$195			\$868
6360 - Construction	\$4,000	\$13,080	\$496			\$17,576
6530 - CIP Administration	\$60	\$120				\$180
PROJECT COST	\$4,630	\$13,303	\$691			\$18,624

FUNDING SOURCE(S)	2004-05	2005-06	2006-07	2007-08	2008-09	Five-Year
317-Redevelopment Agency	\$4,630	\$13,303	\$691			\$18,624
	\$4,630	\$13,303	\$691			\$18,624

PROJECT TITLE: New Fire Station

Category: Public Facilities
 Project Location: Central Core of City

Project Number: 231003

DESCRIPTION:

The Fire Master Plan identified the need for a third fire station in the central core of the City. Acquisition of the property was completed in FY 03/04. Funding in FY 04/05 is for the Fire Station share of joint use driveway with the future Courthouse.

JUSTIFICATION:

Identified in the Fire Master Plan.

RESPONSIBLE DEPARTMENT:

Public Works, BAHS



CODE - COSTS	(Thousands of Dollars)					Five-Year
	2004-05	2005-06	2006-07	2007-08	2008-09	
6120 - Property Acquisition						\$0
6200 - Professional Service						\$0
6360 - Construction	\$100					\$100
6530 - CIP Administration						\$0
PROJECT COST	\$100					\$100

FUNDING SOURCE(S)	2004-05	2005-06	2006-07	2007-08	2008-09	Five-Year
313-Fire Impact Fund (AB1600)	\$100					\$100
	\$100					\$100

**CITY OF MORGAN HILL
CAPITAL IMPROVEMENT PROGRAM
Sanitary Sewer**

(Thousands of Dollars)

PROJECT TITLE	2004-05	2005-06	2006-07	2007-08	2008-09	TOTALS
302093 Sanitary Sewer Rehabilitation	\$470	\$350	\$350	\$350	\$350	\$1,870
303093 Sewer Plant Improvement Project	\$2,493	\$178	\$292	\$2,218	\$7,128	\$12,309
304093 Lift Station Improvements	\$630	\$0	\$270	\$0	\$630	\$1,530
308094 Trunk Line	\$430	\$8,040	\$0	\$0	\$0	\$8,470
	\$4,023	\$8,568	\$912	\$2,568	\$8,108	\$24,179
PROJECT FUNDING SOURCES						
641 Sewer Capital Expenditure Fund (AB1600)	\$3,123	\$178	\$292	\$2,218	\$128	\$5,939
641 Sewer Capital Expend Fund (Rev Bond Sale)	\$430	\$8,040	\$0	\$0	\$7,000	\$15,470
643 Sewer Replacement Fund	\$470	\$350	\$620	\$350	\$980	\$2,770
	\$4,023	\$8,568	\$912	\$2,568	\$8,108	\$24,179

PROJECT TITLE: Sanitary Sewer Rehabilitation

Category: Sanitary Sewer
 Project Location: Citywide/San Pedro

Project Number: 302093

DESCRIPTION:

The City's sewer collection system requires an ongoing program of evaluation, cleaning, clearing, improvements, and repairs. Sewer lines are routinely cleaned and videoed to evaluate the system. Some lines will require relining. Trenchless techniques used for this work are relatively quick and minimize disruption to traffic. San Pedro sanitary sewer line between Butterfield Blvd and Railroad is scheduled to be upgraded in FY 04/05 per the Sanitary Sewer Master Plan.

JUSTIFICATION:

This program will improve the reliability, including handling infiltration and inflow problems, of the City's sanitary sewer system, which will reduce the number of emergency calls and will lower maintenance costs.

RESPONSIBLE DEPARTMENT:

Public Works



CODE - COSTS	(Thousands of Dollars)					Five-Year
	2004-05	2005-06	2006-07	2007-08	2008-09	
6120 - Property Acquisition						\$0
6200 - Professional Service						\$0
6360 - Construction	\$350	\$250	\$250	\$250	\$250	\$1,350
6530 - CIP Administration	\$120	\$100	\$100	\$100	\$100	\$520
PROJECT COST	\$470	\$350	\$350	\$350	\$350	\$1,870

FUNDING SOURCE(S)	2004-05	2005-06	2006-07	2007-08	2008-09	Five-Year
643-Sewer Replacement Fund	\$470	\$350	\$350	\$350	\$350	\$1,870
	\$470	\$350	\$350	\$350	\$350	\$1,870

PROJECT TITLE: Sewer Plant Improvement Project

Category: Sanitary Sewer
 Project Location: Gilroy Treatment Plant

Project Number: 303093

DESCRIPTION:

The plant now has a rated treatment capacity of 7.5 mgd (million gallons/day), but SCRWA has requested re-rating to 8.5 mgd. Major 04/05 costs associated with work to add 3.0 mgd of tertiary treatment for recycled water (for a total of 6.0 mgd). Design of next major plant expansion to 12.75 mgd to begin in 07/08, with construction in 08/09. Expenditures in FY 08/09 will require a revenue bond sale.

JUSTIFICATION:

The expansion will enable the City to allocate sewer capacity as needed for future growth.

RESPONSIBLE DEPARTMENT:

Public Works



CODE - COSTS	(Thousands of Dollars)					Five-Year
	2004-05	2005-06	2006-07	2007-08	2008-09	
6120 - Property Acquisition						\$0
6200 - Professional Service						\$0
6360 - Construction	\$2,443	\$128	\$242	\$2,168	\$7,078	\$12,059
6530 - CIP Administration	\$50	\$50	\$50	\$50	\$50	\$250
PROJECT COST	\$2,493	\$178	\$292	\$2,218	\$7,128	\$12,309

FUNDING SOURCE(S)	2004-05	2005-06	2006-07	2007-08	2008-09	Five-Year
641-Sewer Capital Expenditure Fund (AB1600)	\$2,493	\$178	\$292	\$2,218	\$128	\$5,309
641-Sewer Capital Expend Fund (Rev Bond Sale)					\$7,000	\$7,000
	\$2,493	\$178	\$292	\$2,218	\$7,128	\$12,309

PROJECT TITLE: Lift Station Improvements

Category: Sanitary Sewer
Project Location: Citywide

Project Number: 304093

DESCRIPTION:

The 13 lift stations city-wide are systematically replaced and upgraded. The improvements needed include new pump & motor, electrical, high level floats, alarms, a generator available for (or dedicated to) each lift station, generator transfer switches and a telemetry system to monitor stations at both the Public Works and City Dispatch facilities. A new lift station is (G) scheduled to be constructed in the Gateway area in FY 04/05. In FY 06/07 and 08/09, Lift Stations C, M, and H will be rehabilitated.



Since Lift Station G is a new facility, it will be funded by Fund 641 (Sewer Capital Expansion); lift station rehabilitation is funded by Fund 643 (Sewer Replacement).

JUSTIFICATION:

This project is in compliance with RWQCB and will be completed to ensure public health and safety. Many of the lift stations are over 30 years old, which is well beyond their expected service life. Improving the City's lift stations is in compliance with the City's Sewer Master Plan of Sewer and RWQCB guidelines, and ensures the reliability of the sewer networking system.

RESPONSIBLE DEPARTMENT:

Public Works

CODE - COSTS	(Thousands of Dollars)					Five-Year
	2004-05	2005-06	2006-07	2007-08	2008-09	
6120 - Property Acquisition						\$0
6200 - Professional Service	\$50		\$30		\$50	\$130
6360 - Construction	\$500		\$200		\$500	\$1,200
6530 - CIP Administration	\$80		\$40		\$80	\$200
PROJECT COST	\$630		\$270		\$630	\$1,530

FUNDING SOURCE(S)	2004-05	2005-06	2006-07	2007-08	2008-09	Five-Year
641-Sewer Capital Expenditure Fund (AB1600)	\$630			\$0		\$630
643-Sewer Replacement Fund			\$270		\$630	\$900
	\$630		\$270		\$630	\$1,530

PROJECT TITLE: Trunk Line

Category: Sanitary Sewer
 Project Location: Morgan Hill to Gilroy

Project Number: 308094

DESCRIPTION:

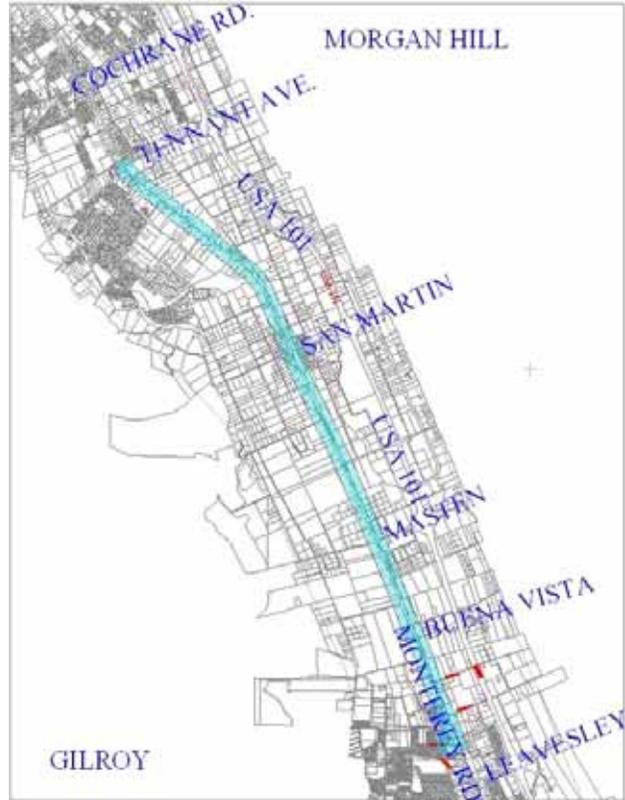
A new parallel trunk sewer is needed to provide for increased wastewater capacity in accordance with the City's general plan. Funding in FY 04/05 for final design costs and funding in FY 05/06 for construction.

JUSTIFICATION:

Need identified in FY 2002 Sewer Master Plan.

RESPONSIBLE DEPARTMENT:

Public Works



CODE - COSTS	(Thousands of Dollars)					Five-Year
	2004-05	2005-06	2006-07	2007-08	2008-09	
6120 - Property Acquisition						\$0
6200 - Professional Service	\$350	\$420				\$770
6360 - Construction		\$7,500				\$7,500
6530 - CIP Administration	\$80	\$120				\$200
PROJECT COST	\$430	\$8,040				\$8,470

FUNDING SOURCE(S)	2004-05	2005-06	2006-07	2007-08	2008-09	Five-Year
641-Sewer Capital Expend Fund (Rev Bond Sale)	\$430	\$8,040				\$8,470
	\$430	\$8,040				\$8,470

**CITY OF MORGAN HILL
CAPITAL IMPROVEMENT PROGRAM
Storm Drainage**

(Thousands of Dollars)

PROJECT TITLE	2004-05	2005-06	2006-07	2007-08	2008-09	TOTALS
401093 Storm Retention Implementation	\$0	\$1,110	\$1,520	\$1,110	\$0	\$3,740
415097 Storm Pipe and Inlet Installation	\$130	\$130	\$130	\$130	\$130	\$650
417099 West Little Llagas Local Drainage	\$330	\$0	\$110	\$2,990	\$0	\$3,430
420001 Butterfield Detention Basin	\$2,000	\$90	\$2,445	\$0	\$0	\$4,535
421004 East Dunne / Hill Road Storm Drain	\$710	\$0	\$0	\$0	\$0	\$710
	\$3,170	\$1,330	\$4,205	\$4,230	\$130	\$13,065
PROJECT FUNDING SOURCES						
303 Regional Drainage (AB1600)	\$2,000	\$90	\$2,445	\$0	\$0	\$4,535
304 Regional Drainage non-AB1600	\$840	\$130	\$130	\$130	\$130	\$1,360
317 Redevelopment Agency	\$330	\$1,110	\$1,630	\$4,100	\$0	\$7,170
	\$3,170	\$1,330	\$4,205	\$4,230	\$130	\$13,065

PROJECT TITLE: Storm Retention Implementation

Category: Storm Drainage

Project Number: 401093

Project Location:

DESCRIPTION:

This project is a placeholder for land purchase and/or construction of joint use parks and regional detention basins area-wide. The City is working closely with the Santa Clara Valley Water District to optimize the location of these basins. The PL 566 diversion channel diverts water flow at Watsonville Rd., and takes water to Silvera, diverting it from E. Little Llagas Creek.



JUSTIFICATION:

The construction of retention basins will reduce the levels of flooding and the cost of flood damage city-wide, and is consistent with the RDA Plan Amendment goal of reducing flooding in the City.

RESPONSIBLE DEPARTMENT:

Public Works

CODE - COSTS	(Thousands of Dollars)					Five-Year
	2004-05	2005-06	2006-07	2007-08	2008-09	
6120 - Property Acquisition		\$1,040		\$935		\$1,975
6200 - Professional Service		\$10		\$100		\$110
6360 - Construction			\$1,440			\$1,440
6530 - CIP Administration		\$60	\$80	\$75		\$215
PROJECT COST		\$1,110	\$1,520	\$1,110		\$3,740

FUNDING SOURCE(S)						
317-Redevelopment Agency		\$1,110	\$1,520	\$1,110		\$3,740
		\$1,110	\$1,520	\$1,110		\$3,740

PROJECT TITLE: Storm Pipe and Inlet Installation

Category: Storm Drainage
 Project Location: Citywide

Project Number: 415097

DESCRIPTION:

The project will construct storm drains and storm inlets at various locations within the city to resolve existing drainage problems. The scope of work will be to identify problem areas to eliminate localized flooding. Work in FY 04/05 includes Farralon Drive.

JUSTIFICATION:

The various projects will minimize local flooding where possible, thereby improving public safety.

RESPONSIBLE DEPARTMENT:

Public Works



CODE - COSTS	(Thousands of Dollars)					Five-Year
	2004-05	2005-06	2006-07	2007-08	2008-09	
6120 - Property Acquisition						\$0
6200 - Professional Service						\$0
6360 - Construction	\$90	\$90	\$90	\$90	\$90	\$450
6530 - CIP Administration	\$40	\$40	\$40	\$40	\$40	\$200
PROJECT COST	\$130	\$130	\$130	\$130	\$130	\$650

FUNDING SOURCE(S)	2004-05	2005-06	2006-07	2007-08	2008-09	Five-Year
304-Regional Drainage non-AB1600	\$130	\$130	\$130	\$130	\$130	\$650
	\$130	\$130	\$130	\$130	\$130	\$650

PROJECT TITLE: West Little Llagas Local Drainage

Category: Storm Drainage
 Project Location: Llagas Flood Control

Project Number: 417099

DESCRIPTION:

Following the PL566 project, this project will complete the local drains. The largest flooding area of the City is along West Little Llagas Creek. With the completion of the PL566 Project and the completion of these local drains, the FEMA Flood designation will be removed.

JUSTIFICATION:

This is the largest area of flooding in the City.

RESPONSIBLE DEPARTMENT:

Public Works



CODE - COSTS	(Thousands of Dollars)					Five-Year
	2004-05	2005-06	2006-07	2007-08	2008-09	
6120 - Property Acquisition						\$0
6200 - Professional Service	\$300		\$100	\$20		\$420
6360 - Construction				\$2,910		\$2,910
6530 - CIP Administration	\$30		\$10	\$60		\$100
PROJECT COST	\$330		\$110	\$2,990		\$3,430

FUNDING SOURCE(S)	2004-05	2005-06	2006-07	2007-08	2008-09	Five-Year
317-Redevelopment Agency	\$330		\$110	\$2,990		\$3,430
	\$330		\$110	\$2,990		\$3,430

PROJECT TITLE: Butterfield Detention Basin

Category: Storm Drainage
 Project Location: Maple/Railroad

Project Number: 420001

DESCRIPTION:

Construction of 30+ acre detention basin in accordance with adopted EIR. Project may be jointly used in future as practice sports fields. Property acquisition funded in FY 02/03.

JUSTIFICATION:

The railroad drainage area of city has no natural storm water outlet. Previous storm drain master plans and a 1992 EIR identified the site for construction of a detention basin to mitigate downstream flooding upon completion of the Butterfield Channel.

RESPONSIBLE DEPARTMENT:

Public Works



CODE - COSTS	(Thousands of Dollars)					Five-Year
	2004-05	2005-06	2006-07	2007-08	2008-09	
6120 - Property Acquisition	\$1,800					\$1,800
6200 - Professional Service	\$50	\$50	\$40			\$140
6360 - Construction			\$2,325			\$2,325
6530 - CIP Administration	\$150	\$40	\$80			\$270
PROJECT COST	\$2,000	\$90	\$2,445			\$4,535

FUNDING SOURCE(S)	2004-05	2005-06	2006-07	2007-08	2008-09	Five-Year
303-Regional Drainage (AB1600)	\$2,000	\$90	\$2,445			\$4,535
	\$2,000	\$90	\$2,445			\$4,535

PROJECT TITLE: East Dunne / Hill Road Storm Drain

Category: Storm Drainage Project Number: 421004
 Project Location: E. Dunne & Hill Rd.

DESCRIPTION:

Construction of storm drain improvements at the intersection of E. Dunne Avenue and Hill Road to alleviate flooding at that location. Scope includes storm drain pipe in Hill Road, catch basins and laterals, and box culvert under E. Dunne Avenue.

JUSTIFICATION:

Alleviates flooding at intersection of E. Dunne Avenue and Hill Road.

RESPONSIBLE DEPARTMENT:



CODE - COSTS	(Thousands of Dollars)					Five-Year
	2004-05	2005-06	2006-07	2007-08	2008-09	
6120 - Property Acquisition						\$0
6200 - Professional Service	\$60					\$60
6360 - Construction	\$590					\$590
6530 - CIP Administration	\$60					\$60
PROJECT COST	\$710					\$710

FUNDING SOURCE(S)	2004-05	2005-06	2006-07	2007-08	2008-09	Five-Year
304-Regional Drainage non-AB1600	\$710					\$710
	\$710					\$710

PROJECT TITLE: Plan Line Major Streets

Category: Streets & Roads
 Project Location: Citywide

Project Number: 501093

DESCRIPTION:

The Circulation Element of the General Plan identifies future roadways to relieve traffic congestion, eliminate safety problems, and/or improve access. Plan lines, which include environmental review are to be established for:

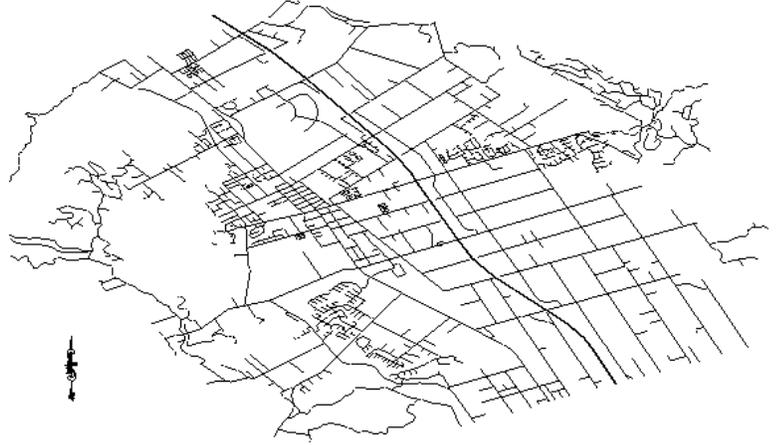
- 1) Butterfield Boulevard - from Tennant Avenue south to Watsonville Road;
- 2) Butterfield Boulevard - from Cochrane Rd. northwest to Santa Teresa;
- 3) Santa Teresa corridor - south City limits to north City limits (have draft plan line -- need Environmental Document)

JUSTIFICATION:

Establishing plan lines for the City's future streets will ensure the preservation of the required rights-of-way for future streets.

RESPONSIBLE DEPARTMENT:

Public Works



CITYWIDE

CODE - COSTS	(Thousands of Dollars)					Five-Year
	2004-05	2005-06	2006-07	2007-08	2008-09	
6120 - Property Acquisition						\$0
6200 - Professional Service	\$65	\$175				\$240
6360 - Construction						\$0
6530 - CIP Administration	\$40	\$40				\$80
PROJECT COST	\$105	\$215				\$320

FUNDING SOURCE(S)	2004-05	2005-06	2006-07	2007-08	2008-09	Five-Year
309-Traffic Impact Fees (AB1600)	\$105	\$215				\$320
	\$105	\$215				\$320

PROJECT TITLE: New Signal Construction

Category: Streets & Roads
 Project Location: Citywide

Project Number: 502093

DESCRIPTION:

As traffic volumes increase, warrant studies will be conducted to determine what other intersections should be signalized or upgraded. In 04/05, the Tennant/SB 101 ramp signals will be constructed using FY 03/04 funds.

JUSTIFICATION:

New signals and signal upgrades at key intersections in the City will improve access to key business districts, as well as improve traffic circulation and safety.

RESPONSIBLE DEPARTMENT:

Public Works



CODE - COSTS	(Thousands of Dollars)					Five-Year
	2004-05	2005-06	2006-07	2007-08	2008-09	
6120 - Property Acquisition						\$0
6200 - Professional Service		\$25		\$25		\$50
6360 - Construction		\$165		\$165		\$330
6530 - CIP Administration		\$40		\$40		\$80
PROJECT COST		\$230		\$230		\$460

FUNDING SOURCE(S)	2004-05	2005-06	2006-07	2007-08	2008-09	Five-Year
309-Traffic Impact Fees (AB1600)		\$230		\$230		\$460
		\$230		\$230		\$460

PROJECT TITLE: Butterfield Boulevard Extension

Category: Streets & Roads Project Number: 504E00
 Project Location: Butterfield Blvd (Cochrane Rd to Watsonville Rd)

DESCRIPTION:

Butterfield Boulevard is a planned multi-lane arterial that will connect Cochrane Road to Watsonville Road. (Butterfield Blvd. will also extend north of Cochrane). This will provide an alternative north/south route and will improve service levels on Monterey Road. In FY 03/04, the phase of the work extending Butterfield Boulevard from San Pedro to Tennant was completed, with that section opened in December 03. The final phase of this work extends Butterfield from Tennant to Watsonville Road. This section is included in the VTP 2030 which makes it eligible for Federal and State transportation grant funds. The scope of work for the Tennant Ave. to Watsonville Rd. section includes a grade separation over the Union Pacific railroad tracks near Fisher Avenue.



JUSTIFICATION:

Butterfield Boulevard is being built to meet existing and future traffic volumes in the City and the Redevelopment Project Area. It will also continue to enhance access to substantial tracts of commercial and industrial land and will contribute to economic development goals.

RESPONSIBLE DEPARTMENT:

Public Works

CODE - COSTS	(Thousands of Dollars)					Five-Year
	2004-05	2005-06	2006-07	2007-08	2008-09	
6120 - Property Acquisition			\$4,800			\$4,800
6200 - Professional Service			\$1,100			\$1,100
6360 - Construction				\$7,980		\$7,980
6530 - CIP Administration			\$150			\$150
PROJECT COST			\$6,050	\$7,980		\$14,030

FUNDING SOURCE(S)	2004-05	2005-06	2006-07	2007-08	2008-09	Five-Year
202-Street Fund (STIP Grant VTP 2030)			\$1,100	\$6,100		\$7,200
309-Traffic Impact Fees (AB1600)			\$4,950	\$1,880		\$6,830
			\$6,050	\$7,980		\$14,030

PROJECT TITLE: Tennant Avenue Widening

Category: Streets & Roads
 Project Location: Tennant Avenue east of Edmundson

Project Number: 507B99

DESCRIPTION:

Tennant Avenue will be widened from Vineyard to Monterey Road consistent with the remaining improved section from Vineyard to Highway 101. Full improvements exist on the south. Widening, including right-of-way acquisition, is needed on the north side of the road. Project was budgeted for construction in 02/03, but right-of-way acquisition delayed the project. The project scope and timing are now being reviewed. Currently, construction on the project is scheduled to start in FY 04/05.



JUSTIFICATION:

The project will complete construction of this 4-lane arterial from Monterey Road to SR101.

RESPONSIBLE DEPARTMENT:

Public Works

CODE - COSTS	(Thousands of Dollars)					Five-Year
	2004-05	2005-06	2006-07	2007-08	2008-09	
6120 - Property Acquisition						\$0
6200 - Professional Service	\$40					\$40
6360 - Construction	\$700					\$700
6530 - CIP Administration	\$90					\$90
PROJECT COST	\$830					\$830

FUNDING SOURCE(S)						
309-Traffic Impact Fees (AB1600)	\$415					\$415
317-Redevelopment Agency	\$415					\$415
	\$830					\$830

PROJECT TITLE: Underground Monterey Utilities

Category: Streets & Roads

Project Number: 512093

Project Location: Monterey - Dunne to 600' north of Cosmo

DESCRIPTION:

The City's goal is to underground the overhead utility lines along Monterey Rd. from Dunne Ave. to Tennant Ave. using Rule 20A funds. PG&E is responsible for design. Sufficient Rule 20A funds are available to accomplish undergrounding from Dunne to approximately 600 ft. north of Cosmo. Construction anticipated in 05/06 using \$1,000,000 of Rule 20A funding. These funds will not come to the City, but will be spent by PG&E against the City's 20A fund balance held by PG&E.



JUSTIFICATION:

The undergrounding of utilities will improve travel safety.

RESPONSIBLE DEPARTMENT:

Public Works

CODE - COSTS	(Thousands of Dollars)					Five-Year
	2004-05	2005-06	2006-07	2007-08	2008-09	
6120 - Property Acquisition						\$0
6200 - Professional Service	\$150					\$150
6360 - Construction						\$0
6530 - CIP Administration	\$45	\$60				\$105
PROJECT COST	\$195	\$60				\$255

FUNDING SOURCE(S)	2004-05	2005-06	2006-07	2007-08	2008-09	Five-Year
350-Undergrounding	\$195	\$60				\$255
	\$195	\$60				\$255

PROJECT TITLE: Pavement Rehabilitation Program

Category: Streets & Roads
Project Location: Citywide

Project Number: 519096

DESCRIPTION:

The Pavement and Sidewalk Rehabilitation Program involves the rehabilitation of existing street and sidewalk surfaces. The work may involve overlay, removal and reconstruction, crack seal or chip seal depending on street conditions and availability of funds. Locations will be determined annually based on information obtained from the City's Pavement Management System. RDA funding (the City's only current source of funding) ends in 07/08.

JUSTIFICATION:

This program extends the life of our streets. By so doing, the surface life of these streets will be prolonged, thus reducing expensive asphalt concrete resurfacing costs.

RESPONSIBLE DEPARTMENT:

Public Works



CODE - COSTS	(Thousands of Dollars)					Five-Year
	2004-05	2005-06	2006-07	2007-08	2008-09	
6120 - Property Acquisition						\$0
6200 - Professional Service	\$20	\$20	\$20	\$20		\$80
6360 - Construction	\$300	\$300	\$300	\$300		\$1,200
6530 - CIP Administration	\$30	\$30	\$30	\$30		\$120
PROJECT COST	\$350	\$350	\$350	\$350		\$1,400

FUNDING SOURCE(S)	2004-05	2005-06	2006-07	2007-08	2008-09	Five-Year
317-Redevelopment Agency	\$350	\$350	\$350	\$350		\$1,400
	\$350	\$350	\$350	\$350		\$1,400

PROJECT TITLE: Underground Utilities - Misc. Locations

Category: Streets & Roads
 Project Location: Undetermined

Project Number: 529001

DESCRIPTION:

In-lieu fees are collected on case-by-case basis from developers when utility undergrounding is not feasible. These funds are contributed (also on a case-by-case basis) to developers to extend undergrounding beyond the frontage of their development, or in a CIP project to extend undergrounding beyond the project's limit.

JUSTIFICATION:

The undergrounding of overhead utility wires and poles increases safety and aesthetics of the streetscape.

RESPONSIBLE DEPARTMENT:

Public Works



CODE - COSTS	(Thousands of Dollars)					Five-Year
	2004-05	2005-06	2006-07	2007-08	2008-09	
6120 - Property Acquisition						\$0
6200 - Professional Service	\$15	\$15	\$15	\$15	\$15	\$75
6360 - Construction	\$135	\$135	\$135	\$135	\$135	\$675
6530 - CIP Administration	\$30	\$30	\$30	\$30	\$30	\$150
PROJECT COST	\$180	\$180	\$180	\$180	\$180	\$900

FUNDING SOURCE(S)	2004-05	2005-06	2006-07	2007-08	2008-09	Five-Year
350-Undergrounding	\$180	\$180	\$180	\$180	\$180	\$900
	\$180	\$180	\$180	\$180	\$180	\$900

PROJECT TITLE: 101/Tennant Interchange

Category: Streets & Roads

Project Number: 531003

Project Location: 101/Tennant Interchange

DESCRIPTION:

Widen Tennant Avenue bridge over Highway 101 and provide a loop on-ramp at eastbound Tennant to northbound 101. Construction contingent upon receiving STIP grant. Funding in 03/04 was to complete the Project Study Report. Funding in FY 04/05 to complete Environmental Review and Project Report. Funding in FY 05/06 for preliminary design to improve chances for grant funding. Current VTP 2020 plan reflects construction funding in 2015.

JUSTIFICATION:

City General Plan shows traffic growth will require bridge widening and loop on-ramp.

RESPONSIBLE DEPARTMENT:

Public Works



CODE - COSTS	(Thousands of Dollars)					Five-Year
	2004-05	2005-06	2006-07	2007-08	2008-09	
6120 - Property Acquisition						\$0
6200 - Professional Service	\$430	\$300				\$730
6360 - Construction			\$7,850			\$7,850
6530 - CIP Administration	\$90	\$30	\$120			\$240
PROJECT COST	\$520	\$330	\$7,970			\$8,820

FUNDING SOURCE(S)	2004-05	2005-06	2006-07	2007-08	2008-09	Five-Year
309-Traffic Impact Fees (AB1600)	\$520	\$330				\$850
202-Street Fund (STIP Grant)			\$3,985			\$3,985
202-Street Fund (TDA Article 3 Grant)			\$3,985			\$3,985
	\$520	\$330	\$7,970			\$8,820

PROJECT TITLE: Bike Detection Loop Installation

Category: Streets & Roads
 Project Location: Monterey Road

Project Number: 534004

DESCRIPTION:

This project replaces existing vehicle detection loops with bicycle sensitive detection loops that will enable bicyclists to trigger traffic signals at signalized intersections along Monterey Road.

JUSTIFICATION:

The Bikeways Master Plan designated Monterey Road as a major north/south bicycle route. Provisions are currently in place to complete signing and striping of Monterey Road for bicyclists.

RESPONSIBLE DEPARTMENT:



CODE - COSTS	(Thousands of Dollars)					Five-Year
	2004-05	2005-06	2006-07	2007-08	2008-09	
6120 - Property Acquisition						\$0
6200 - Professional Service						\$0
6360 - Construction	\$42					\$42
6530 - CIP Administration	\$10					\$10
PROJECT COST	\$52					\$52

FUNDING SOURCE(S)	2004-05	2005-06	2006-07	2007-08	2008-09	Five-Year
202-Street Fund (TDA Article 3 Grant)	\$42					\$42
309-Traffic Impact Fees (AB1600)	\$10					\$10
	\$52					\$52

**CITY OF MORGAN HILL
CAPITAL IMPROVEMENT PROGRAM
Water**

(Thousands of Dollars)

PROJECT TITLE	2004-05	2005-06	2006-07	2007-08	2008-09	TOTALS
601093 New Well Property/Construction	\$0	\$825	\$0	\$0	\$0	\$825
602093 New Water Reservoirs	\$150	\$0	\$0	\$0	\$0	\$150
603093 New Water Mains	\$270	\$295	\$320	\$340	\$350	\$1,575
607093 Booster Pump Rehabilitation	\$700	\$0	\$260	\$0	\$270	\$1,230
608093 Rehabilitate Water Wells	\$50	\$50	\$50	\$50	\$50	\$250
610093 Water Main Replacement	\$290	\$0	\$290	\$0	\$290	\$870
615095 Polybutylene Service Replacement	\$0	\$350	\$0	\$0	\$0	\$350
	\$1,460	\$1,520	\$920	\$390	\$960	\$5,250
PROJECT FUNDING SOURCES						
651 Water Capital Expenditure Fund (AB1600)	\$345	\$1,120	\$320	\$340	\$350	\$2,475
653 Water Replacement Fund	\$1,115	\$400	\$600	\$50	\$610	\$2,775
	\$1,460	\$1,520	\$920	\$390	\$960	\$5,250

PROJECT TITLE: New Well Property/Construction

Category: Water
Project Location: Citywide

Project Number: 601093

DESCRIPTION:

The Water Master Plan recommends that more water wells be constructed to meet quality standards, improve reliability, and provide for increased demand due to growth.

JUSTIFICATION:

The 2002 Water Master Plan identifies the need for two additional wells.

RESPONSIBLE DEPARTMENT:

Public Works



CODE - COSTS	(Thousands of Dollars)					Five-Year
	2004-05	2005-06	2006-07	2007-08	2008-09	
6120 - Property Acquisition						\$0
6200 - Professional Service		\$85				\$85
6360 - Construction		\$700				\$700
6530 - CIP Administration		\$40				\$40
PROJECT COST		\$825				\$825

FUNDING SOURCE(S)	2004-05	2005-06	2006-07	2007-08	2008-09	Five-Year
651-Water Capital Expenditure Fund (AB1600)		\$825				\$825
		\$825				\$825

PROJECT TITLE: New Water Reservoirs

Category: Water
Project Location: Citywide

Project Number: 602093

DESCRIPTION:

The City is currently below national standard for storage capacity. The City currently has a one-day supply and must add additional storage reservoirs consistent with our Water Master Plan. The new Edmundson Reservoir was completed in 03/04. Boys Ranch Reservoir was delayed with jurisdictional issues, and will be awarded in 03/04 and completed in 04/05. The Holiday/Jackson and Woodland Acres zones are other zones which will need additional storage in later years.



JUSTIFICATION:

The reservoirs will reduce peak demand electrical power by being filled at night. Also, this allows the City to maintain an adequate water supply for both domestic consumption and fire protection, to accommodate additional demand, to improve water quality and to assist in the protection of our citizens in the event of a natural disaster.

RESPONSIBLE DEPARTMENT:

Public Works

CODE - COSTS	(Thousands of Dollars)					Five-Year
	2004-05	2005-06	2006-07	2007-08	2008-09	
6120 - Property Acquisition						\$0
6200 - Professional Service						\$0
6360 - Construction						\$0
6530 - CIP Administration	\$150					\$150
PROJECT COST	\$150					\$150

FUNDING SOURCE(S)						
651-Water Capital Expenditure Fund (AB1600)	\$75					\$75
653-Water Replacement Fund	\$75					\$75
	\$150					\$150

PROJECT TITLE: New Water Mains

Category: Water
Project Location: Citywide

Project Number: 603093

DESCRIPTION:

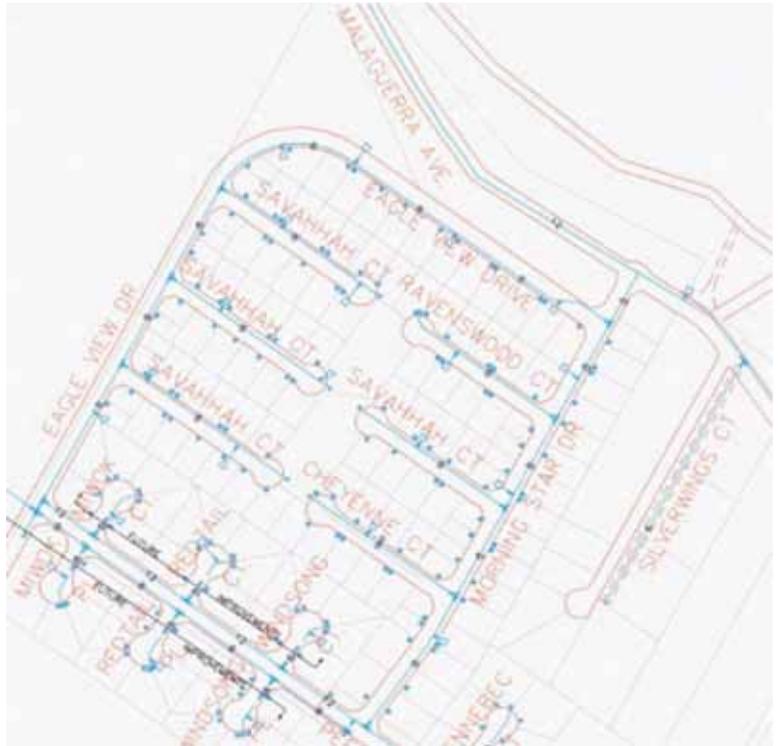
New water mains are required to provide adequate water supply as the City expands. In accordance with the 2002 Water Master Plan, some mains will be constructed by the City, and some by developers with partial reimbursement from the City.

JUSTIFICATION:

Currently, some areas in our water system are experiencing fire flow demand problems. The new water mains will ensure that adequate water is supplied throughout the system to accommodate future demand.

RESPONSIBLE DEPARTMENT:

Public Works



CODE - COSTS	(Thousands of Dollars)					Five-Year
	2004-05	2005-06	2006-07	2007-08	2008-09	
6120 - Property Acquisition						\$0
6200 - Professional Service	\$30	\$35	\$40	\$40	\$45	\$190
6360 - Construction	\$200	\$220	\$240	\$260	\$265	\$1,185
6530 - CIP Administration	\$40	\$40	\$40	\$40	\$40	\$200
PROJECT COST	\$270	\$295	\$320	\$340	\$350	\$1,575

FUNDING SOURCE(S)	2004-05	2005-06	2006-07	2007-08	2008-09	Five-Year
651-Water Capital Expenditure Fund (AB1600)	\$270	\$295	\$320	\$340	\$350	\$1,575
	\$270	\$295	\$320	\$340	\$350	\$1,575

PROJECT TITLE: Booster Pump Rehabilitation

Category: Water
 Project Location: City Booster Stations

Project Number: 607093

DESCRIPTION:

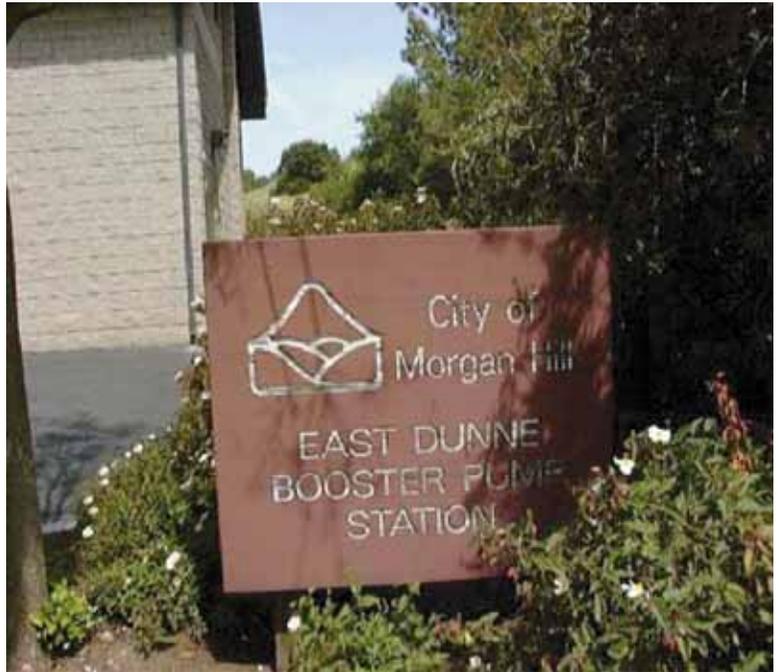
In accordance with our Water Master Plan, several of our water booster stations are in need of rehabilitation. The Jackson Oaks booster pump - to be rehabilitated first - will include more secure enclosures, improved mechanical equipment and emergency power provisions. Total project cost is \$1,030,000, and the funding in 04/05 reflects the balance of funding to complete the project. The other two stations programmed for rehab will be Woodland Acres and Glen Avre.

JUSTIFICATION:

Several existing booster pumps are very old and require excessive maintenance.

RESPONSIBLE DEPARTMENT:

Public Works



CODE - COSTS	(Thousands of Dollars)					Five-Year
	2004-05	2005-06	2006-07	2007-08	2008-09	
6120 - Property Acquisition						\$0
6200 - Professional Service	\$30		\$20		\$30	\$80
6360 - Construction	\$600		\$200		\$200	\$1,000
6530 - CIP Administration	\$70		\$40		\$40	\$150
PROJECT COST	\$700		\$260		\$270	\$1,230

FUNDING SOURCE(S)	2004-05	2005-06	2006-07	2007-08	2008-09	Five-Year
653-Water Replacement Fund	\$700		\$260		\$270	\$1,230
	\$700		\$260		\$270	\$1,230

PROJECT TITLE: Rehabilitate Water Wells

Category: Water
Project Location: Citywide

Project Number: 608093

DESCRIPTION:

During the operation of the City's water system, several wells have been exhibiting damage from long-term use and undue wear.

All facilities will be standardized to reduce the required parts inventory and provide ease of maintenance. Electrical deficiencies at these sites will be addressed and chlorination equipment will be upgraded.

JUSTIFICATION:

Rehabilitation is needed to improve water quality, restore the production demand at all wells throughout the system, and respond to the Department of Health Services order to chlorinate all wells.

RESPONSIBLE DEPARTMENT:

Public Works



CODE - COSTS	(Thousands of Dollars)					Five-Year
	2004-05	2005-06	2006-07	2007-08	2008-09	
6120 - Property Acquisition						\$0
6200 - Professional Service						\$0
6360 - Construction	\$40	\$40	\$40	\$40	\$40	\$200
6530 - CIP Administration	\$10	\$10	\$10	\$10	\$10	\$50
PROJECT COST	\$50	\$50	\$50	\$50	\$50	\$250

FUNDING SOURCE(S)	2004-05	2005-06	2006-07	2007-08	2008-09	Five-Year
653-Water Replacement Fund	\$50	\$50	\$50	\$50	\$50	\$250
	\$50	\$50	\$50	\$50	\$50	\$250

PROJECT TITLE: Water Main Replacement

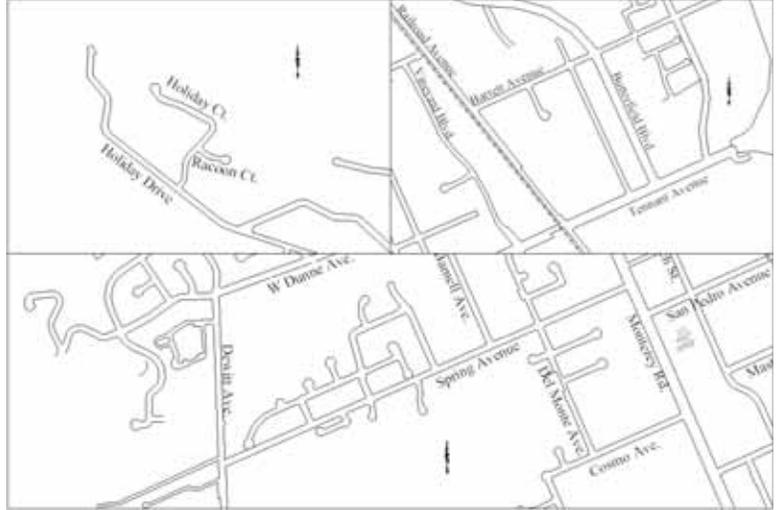
Category: Water
 Project Location: Citywide

Project Number: 610093

DESCRIPTION:

This project was set up to budget for annual improvements to the City's water system. In 03/04 the Jackson Reservoir pressure line from the Jackson Booster Pump was partially replaced. The main lines planned for replacement are as shown:

- * Racoon Ct. FY 04/05
- * Spring Ave. FY 06/07
- * Barrett Ave. FY 08/09



CODE - COSTS	(Thousands of Dollars)					Five-Year
	2004-05	2005-06	2006-07	2007-08	2008-09	
6120 - Property Acquisition						\$0
6200 - Professional Service	\$10		\$10		\$10	\$30
6360 - Construction	\$230		\$230		\$230	\$690
6530 - CIP Administration	\$50		\$50		\$50	\$150
PROJECT COST	\$290		\$290		\$290	\$870

FUNDING SOURCE(S)	2004-05	2005-06	2006-07	2007-08	2008-09	Five-Year
653-Water Replacement Fund	\$290		\$290		\$290	\$870
JUSTIFICATION: These projects will increase fire flows to current standards.						
RESPONSIBLE DEPARTMENT: Public Works						
	\$290		\$290		\$290	\$870

PROJECT TITLE: Polybutylene Service Replacement

Category: Water
Project Location: Citywide

Project Number: 615095

DESCRIPTION:

Polybutylene water services were extensively used throughout town from 1970 to 1985. The plastic water services have proven to be inferior and break frequently. We have been replacing the services systematically for many years, and there are currently less than 250 polybutylene services left in Morgan Hill. Our 05/06 project will complete the replacement.

JUSTIFICATION:

By replacing the plastic water services, the City will realize a substantial savings in staff time and will lessen inconvenience to the City's water customers.

RESPONSIBLE DEPARTMENT:

Public Works



CODE - COSTS	(Thousands of Dollars)					Five-Year
	2004-05	2005-06	2006-07	2007-08	2008-09	
6120 - Property Acquisition						\$0
6200 - Professional Service		\$20				\$20
6360 - Construction		\$300				\$300
6530 - CIP Administration		\$30				\$30
PROJECT COST		\$350				\$350

FUNDING SOURCE(S)	2004-05	2005-06	2006-07	2007-08	2008-09	Five-Year
653-Water Replacement Fund		\$350				\$350
		\$350				\$350